FINANCIAL TIMES

Italian politics

Di Pietro rides the anti-corruption wave

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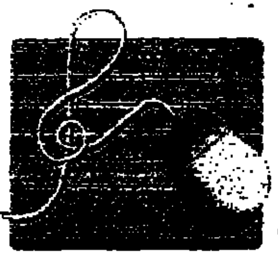

Digital radio

Sound and vision on a pc screen

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Saddam Hussein

What's the method in his madness?

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Spice Girls lose more than a manager

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World Business Newspaper http://www.FT.com TUESDAY NOVEMBER 11 1997

WORLD NEWS

Brazil plans to raise taxes and implement budget cuts

Brazil unveiled a tough package of budget cuts and tax increases worth R$20bn ($18bn) in an attempt to restore confidence in the economy, which has been damaged by the recent upheaval in financial markets. Page 16

US calls for Iraq sanctions The US called for tougher sanctions against Iraq while senior UN officials held out hope that Baghdad would reverse its decision to ban American inspectors from UN weapons teams. Page 7; Advantage *Saddam*, Page 14

Germans relent on EU meeting Germany dropped its objection to Turkey's inclusion in a 27-nation "standing conference" that would group all countries applying to join the European Union as well the 15 member states. Page 4

Latin America earns praise World Bank officials have highlighted Latin America's strong economic fundamentals, amid continued turbulence in securities and foreign exchange markets. Page 8

Poland promises sell-offs Poland's new centre-right government will press ahead with privatisation, cut bureaucracy and decentralise public finances, prime minister Jerzy Buzek said. Page 4

Russia set for big tax drive The Russian government is on the verge of implementing a radical plan to tackle low rates of tax collection. Page 2

Summit aims to shift emphasis The seventh "francophonie" summit in Hanoi, attended by 49 countries and 30 heads of state, will aim to shift the network's emphasis towards political and economic issues. Page 2

Dormant accounts published The Swiss Bankers Association published in the New York Times its latest list of holders of dormant accounts as part of its attempts to bring US public opinion on to its side over holocaust victims' accounts. Page 8

Long distance travel doubles Long-distance travel in the US has more than doubled over the past 20 years. The increase has implications for infrastructure investment and greenhouse gas emissions. Page 8

US military cuts announced US defence secretary William Cohen announced a plan to cut 28,000 jobs from the US military's civilian bureaucracy and make business reforms to save $3.2bn a year for new arms. Page 8

Erbakan defends Welfare party Turkey's Islamist leader Necmettin Erbakan will plead against a state prosecutor's attempt to close his Welfare party. Page 4

Sanctions compromise sought Yugoslav deputy prime minister Danko Djunic said he expected a compromise between Yugoslavia and US-led western critics who are maintaining sanctions against it. Page 3

Botswana president to retire President Ketumile Masire of Botswana said he would retire next March after 17 years. He will hand over power to Vice-President Festus Mogae, who is also finance and development planning minister.

Judge frees British nanny British nanny Louise Woodward was sentenced in Massachusetts to 279 days for killing baby Matthew Eappen. Woodward has already served that period while awaiting trial. Earlier, her conviction of second degree murder had been cut to manslaughter.

BUSINESS NEWS

PW chief set to take charge after merger with Coopers

Price Waterhouse chief executive Jim Schiro is to become chairman as well as chief executive of the accountancy group to be formed from the merger of PW and Coopers & Lybrand, confidential documents show. Page 16

Hilton Hotels said it would not raise its $80-a-share offer for ITT Corporation. The move could clear the way for a rival bid by Starwood Lodging. Page 19

Munich Re, the world's largest reinsurance group, expects a sharp rise in profits as a result of restructuring and expansion. Page 21

Jefferson Smurfit Group, Irish packaging company, is selling its US plastic drum division to Russell-Stanley Holdings for $70m. Page 24

Swiss banks are planning a Swiss euro clearing bank to provide direct access to Target, the European Union's new clearing system. Page 3

Repsol, Spanish energy group, suffered a setback in earnings from gas which limited nine-month net profits growth to 2.5 per cent. Page 21

Nissan reported a rise in first-half profits as the Japanese carmaker cut costs and gained from a weaker yen. Page 20

ZF Friedrichshafen, German automotive components company, aims to double its sales in south-east Asia and the Americas. Page 21

Redland, UK building materials group, urged shareholders to continue to reject a £1.67bn ($2.77bn) hostile offer from French rival Lafarge. Page 24; Lex, Page 23

Small investors applied to buy 130 times the number of shares on offer in Portugal's latest privatisation, motorway operator Brisa-Auto Estradas de Portugal. Page 17

Tesco, UK supermarket retailer, proposes to build three shopping malls in central Europe in a development programme estimated at more than £700m ($1.16bn). Page 17

Deutsche Waggonbau, east German rail carriage maker, said its shareholders had agreed to a takeover by Canadian transportation group Bombardier. Page 19

Caspian Sea oil exports to the west are set to resume after an oil pipeline running through the volatile Chechen republic was reopened. Page 3

Advent International, Boston-based private equity manager, is shifting more of its investment activities to continental Europe. It says UK companies are too expensive. Page 19

Browning-Ferris, US waste disposal company, is to sell its waste management operations outside North America to Suez Lyonnaise des Eaux of France in a $1.45bn deal. Page 17

Yamaichi Securities shares plunged 9.3 per cent amid speculation that the Japanese broker may soon be forced to restructure to stave off growing financial pressure. Page 17

Boston Scientific Corporation, US healthcare company at the heart of a dispute between Ireland and the European Commission over unfair tax competition, plans to invest I£40m ($59m) in its Irish operation. Page 4

Sime Darby, Malaysia's largest multinational conglomerate, said it would be affected by the expected slowdown in growth in Asia next year. Page 20

IMF praises pre-emptive strike as interest rates go up by 7%

Russia acts to protect home economy from world turmoil

By Chrystia Freeland and John Thornhill in Moscow

Russia yesterday sought to shield itself from the turmoil hitting emerging markets by increasing interest rates and announcing a more flexible exchange rate policy from next year.

The International Monetary Fund and western investors praised Moscow's pre-emptive strike. But some worried that Russia's defensive stance and the chilly international mood would deter the foreign investment Moscow has been depending on to spark economic growth.

As part of a two-pronged effort to ward off an attack on the rouble and prevent investors from shedding rouble-denominated domestic debt, the central bank raised its refinancing rate from 21 per cent to 28 per cent.

Acting in tandem with the ministry of finance, the bank also scrapped its policy of shadowing a depreciating rouble "corridor". From the beginning of next year, the central bank will target a central rate and allow 15 per cent fluctuation bands on either side.

The target rate will be Rbs6,100 ($1.03) for 1998 – or Rbs6.1, after redenomination of the rouble on January 1 – and Rbs 6,200 for the following two years. Although most analysts praised the government's steps, share prices in Russia, a star emerging markets performer this year, dropped more than 8 per cent yesterday. The market has fallen almost 30 per cent since October.

Officials said the measures were an effort to prevent international market instability from toppling the Russian financial system. "Russia is not an island cut off from the rest of the world," said Anatoly Chubais, first deputy prime minister and minister of finance. "We are obliged ... to protect the Russian national system from unfavourable phenomena in the world financial markets."

Stanley Fischer, deputy managing director of the IMF, strongly backed Moscow's measures and said volatility in the Russian markets was entirely due to the international situation.

"This increase [in interest rates] has nothing to do with the behaviour of the domestic economy," he added. "It is a result of external disturbances in the world economy."

Mr Fischer said he believed that moves taken by governments and the IMF in other emerging markets would soon restore global financial stability. He argued that the tough fiscal measures taken by the Brazilian government would stem the crisis in Latin America.

"I believe that the major danger in Latin America – a successful attack on Brazil – is way reduced," he said. IMF programmes in Indonesia, Thailand and the Philippines would also "do their jobs relatively quickly".

Difficulties in South Korea and Brazil may have a direct effect on Russia because investors from these countries are heavily exposed to the Russian debt market and may need to repatriate funds to meet margin calls at home. However even if Russia's actions prevent a currency or debt crisis, higher interest rates could weigh on prospects for economic growth.

"The problem is what happens in three or four months, when Yeltsin looks to Chubais and says – 'Where is the recovery?'" said Dirk Damrau, head of research at Renaissance Capital, a Moscow-based investment bank. "This correction in the world emerging markets comes at a very bad time for Russia."

Russian tax drive, Page 2; Iraq warned, Page 5; Editorial Comment, Page 15; Lex, Page 16

Russian president Boris Yeltsin and Chinese president Jiang Zemin hug at a press conference in Beijing yesterday after being asked how well they got on Yeltsin and Jiang sign $12bn gas deal, Page 8 Picture: AP

WorldCom set to win battle for MCI with $37bn bid

By William Lewis in New York and Alan Cane in London

WorldCom, the fast growing US telecommunications group, appeared yesterday to have won the battle for MCI Communications when it raised its record $30bn bid by more than 20 per cent to $37bn.

WorldCom announced it had reached a merger agreement with MCI, the second-largest US long-distance operator, and with British Telecommunications, which has abandoned its attempt to merge with MCI. BT is to be paid $7bn in cash by WorldCom for its 20 per cent stake in MCI plus a $465m fee in penalties and expenses for scrapping its merger agreement with MCI.

BT had seen its merger with MCI as a central to its international strategy. Yesterday, however, it denied that its strategy was in tatters, saying that the cash and the freedom to pursue other possibilities compensated for the loss of MCI.

The agreement seems to have defeated the efforts of GTE, another US telecoms company, to acquire MCI.

Last month GTE bid $28bn in cash. Over the weekend it had indicated to MCI that it was planning to raise that offer to about $33bn of cash, but late on Sunday evening GTE's advisers, Goldman Sachs, declined to submit a formal raised bid, prompting the MCI board to proceed with its deal with WorldCom and BT.

GTE said yesterday it was reviewing its options, but it appears unlikely to raise its bid immediately in response to WorldCom's move. GTE might wait to see how WorldCom's share price reacts before submitting any new bid. Investors said GTE's chances of returning to the fray were slim since BT had agreed to vote its 20 per cent shareholding in favour of WorldCom's deal, and MCI had agreed to pay a $750m break-up fee to

Continued on Page 16

Clinton defeated on fast-track powers

By Nancy Dunne and Bruce Clark in Washington

President Bill Clinton yesterday suffered his worst congressional defeat in three years as lack of support forced him to abandon efforts to win "fast-track" authority to negotiate new trade deals.

He vowed to "regroup" and try again next year, but prospects then will be clouded by congressional elections.

Trent Lott, the Senate majority leader, said it would be "next to impossible" to bring up the measure next year. But Newt Gingrich, the Republican Speaker of the House of Representatives, said he would continue to work to see fast-track approved.

Corporate supporters of expanded trade deals also pledged to fight on. Virginia Hume, spokesman for America Leads on Trade, a broad coalition backing trade legislation, said it would redouble efforts to pass the law next year.

In the House, fewer than 45 of 206 members of Mr Clinton's party agreed to back his bid for "fast-track" powers. He is the first president denied such authority since Congress first granted it in 1974. Under fast-track, Congress, which has responsibility for trade, promises to vote for or against completed trade agreements without amending them.

The president said he had "postponed" the vote early yesterday after it became clear that he risked defeat.

Although Mr Clinton praised the House leadership for working with him, Republicans and pro-business lobbyists bitterly denounced his efforts as inadequate. Bill Archer, chairman of the House ways and means committee, said it was "unbelievable" that a president, at the height of his popularity in the polls, was unable to persuade 30 per cent of

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Spurned, Page 5
Fast track to nowhere, Page 15

Softbank moves to calm fears over cash flow

By Paul Abrahams in Tokyo

Masayoshi Son, the charismatic president of Softbank, yesterday attempted to reassure investors about the financial strength of his personal company Mac, which holds a 43 per cent stake in the troubled Japanese multimedia group.

Mac has been financially stretched after borrowing heavily from banks using its Softbank stake as collateral. If the banks put pressure on Mac to call in its loans to Softbank, the multimedia company would itself be squeezed.

Softbank's shares have fallen more than 75 per cent since last year on fears about its debts and the performance of its underlying businesses. Yesterday, Softbank's shares lost Y390, or 12 per cent, falling to a historic low of Y2,930.

Softbank has spent about $4.5bn on acquisitions over the past two years, mostly in the US. The company distributes Microsoft products in Japan, is part-owner with Rupert Murdoch of JSkyB, and holds a stake in Yahoo!, the internet group.

Mr Son insisted he had no worries about Mac's cash flow. He revealed that on October 31 Mac had sold $100m of assets to Ziff-Davis, a US Softbank subsidiary that publishes computer

Continued on Page 16
Profit forecast lifted, Page 20

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7,585.99	(+4.67)
NASDAQ Composite	1,502.82	(+0.22)
Europe and Far East		
CAC40	closed	
DAX	3,752.53	(+52.64)
FTSE 100	4,806.8	(+42.5)
Nikkei	15,897.20	(-139.18)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.306%	
Long Bond	99¼	
Yield	6.162%	
OTHER RATES		
UK: 3-mo Interbank	7⅔%	(same)
UK: 10 yr Gilt	104.8438	(104.875)
France: 10 yr OAT	98.98	(99.01)
Germany: 10 yr Bund	102.8	(102.86)
Japan: 10 yr JGB	109.38	(109.76)
NORTH SEA OIL (Argus)		
Brent Dated	$19.045	(19.28)

GOLD		
New York: Comex		
(Nov)	$310.3	(310.4)
London:	$310.95	(308.7)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.69675	
DM	1.70745	
FFr	5.7144	
SFr	1.390	
Y	124.095	
London:		
£	1.6871	(1.6946)
DM	1.7116	(1.7055)
FFr	5.7335	(5.7112)
SFr	1.3925	(1.3925)
Y	124.090	(123.86)
Tokyo close:		Y 124.18
Sterling		
DM	2.8875	(2.8901)

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Attempt to rescue rouble while world financial markets fluctuate could also stifle economic growth at home

Russian central bank raises interest rates

By John Thornhill in Moscow

The rhetoric had an old-fashioned sound, but the action was decidedly modern. Huffing and puffing about the nefarious activities of foreign speculators. Russia's Central Bank yesterday raised interest rates to defend the rouble.

But it also, in effect, announced a widening of the rouble's trading band, indicating that the currency would be allowed to fluctuate by up to 30 per cent around its central target rate of Rbs6,200 against the dollar over the next three years. That compares with yesterday's closing rate to the dollar of Rbs5,907.5.

"The events of the last days show that there is a circle of players whose actions are aimed at destabilising the financial system of the country," a central bank statement growled.

"We are stimulating a flow of funds into government securities and eliminating returns from foreign-exchange speculation," added Sergei Dubinin, the bank's governor.

Several economists praised the government for its attempt to pre-empt the speculative pressures mounting against the rouble. "This was very smart on the Central Bank's part," said Michael Marrese, senior emerging markets economist at Chase Manhattan, the US bank.

"They realised that they did not have the reserves to protect GKO [Treasury-bill] yields and that it was much more important to defend the rouble. A number of investors who left Russia will now re-invest."

But some debt traders argued the government's move might be construed as a sign of weakness and would intensify the speculative pressures it was designed to dampen.

Analysts estimate the Central Bank has spent $2bn of its $25bn of international reserves over the past weeks in defending the rouble. But the bank must have realised that this was a finite game while interest rates were unchanged.

The danger was that the turmoil in the world's financial markets would prompt foreigners to withdraw their money from the government debt market. So the government had to help foreign investors hold rouble assets by increasing interest rates.

According to Denis Smyslov, a debt analyst at the Moscow office of Global Fund Management, foreign capital now accounts for more than 30 per cent of the $58bn government debt market, and there had been clear signs that this was beginning to head home.

A devaluation of the rouble would certainly have a devastating impact on the government's hard-won credibility, especially considering the central bank intends to redenominate the currency early next year to reinforce faith in Russia's macroeconomic stabilisation.

A heavy fall could also have led to severe problems in the banking sector, which is heavily exposed to the forward dollar market.

The adverse consequences of the monetary tightening are that it could choke economic growth and that the government's borrowing costs will soar.

Although yesterday's move may have bought the Russian government some much-needed time, it has done nothing to improve the fundamental economic landscape. Just when the Russian government believed it was finally coming out of the woods, it has run into another thicket of trees.

Editorial comment, Page 15; Lex, Page 16

Politicians eye the Di Pietro effect

By James Blitz in Rome

Antonio Di Pietro, the stocky-looking former Milan magistrate, has once again shown that he is a force to be reckoned.

For years, this controversial lawyer-turned-politician has captivated the political world, repeatedly emerging as the country's most popular political figure in opinion polls. He came to prominence as the leading prosecutor in the "clean hands" corruption trials that rocked Italy in the early 1990s.

But his performance in a parliamentary by-election on Sunday, where he was standing for Romano Prodi's ruling Olive Tree coalition, stunned even his most devoted followers.

Mr Di Pietro, 47, popularly known as "Tonino", captured 68 per cent of the vote, a landslide victory beyond the government's wildest dreams – and one which has triggered new questions about his potential to wreak havoc on the political scene.

That Mr Di Pietro would do well was never in question. The Italian public has repeatedly shown its admiration for this scion of a humble southern Italian family, who brilliantly convicted some of the leading figures of the old Christian Democrat-dominated regime.

Centre-right politicians, such as Silvio Berlusconi, leader of Forza Italia, have unintentionally added to his lustre as he has tried to develop a political career. Repeatedly, but as yet unsuccessfully, they have tried to prove this most prominent of magistrates was also corrupted.

Throughout it all, the centre-left government of Mr Prodi, the prime minister, has tried to divert Mr Di Pietro's popularity to its own ends. Mr Di Pietro is regarded with suspicion by Mr Prodi's allies, who see him as a natural figure of the right.

However, Sunday's result was far more impressive than had been expected. Mr Di Pietro's score was some 14 percentage points up on the rating achieved by his predecessor in the 1996 general election.

Meanwhile, the centre-right candidate, one of Mr Berlusconi's right-hand men, was trounced, his vote reduced to 16 per cent. Reconstructed Communism – after the embarrassment it heaped on itself by trying to bring down Mr Prodi's government last month, remained on 13 per cent.

The immediate expectation is that Mr Di Pietro will become a faithful supporter of the government in parliament. A central issue facing the Italian parliament next year is whether to curtail the power of Italy's independent-minded magistrates as part of a broader programme of constitutional reform.

Here, Mr Di Pietro and Massimo d'Alema, the leader of the Party of the Democratic Left (PDS), which forms the core of the ruling coalition, are jointly determined to maintain the judiciary's independence.

Mr D'Alema wants Mr Di Pietro to remain within the fold. Mr Di Pietro is regarded as an important asset to the government in forthcoming elections, adding, some say, up to 10 percentage points to the Olive Tree coalition's overall vote.

But more importantly, his right-wing credentials – he was once asked to be a minister in Mr Berlusconi's 1994 administration – are an important component in Mr D'Alema's strategy to move the PDS on to the political centre ground.

Much less clear, however, is where Mr Di Pietro will be in 18 months' time. "There is little doubt that he will want to build up his own political base," says Stefano Folli, a leading commentator.

Some believe that he wants to lead a new party of the centre if, as many expect, the right-wing opposition collapses round the head of an increasingly uncertain Mr Berlusconi.

Others see him as a natural candidate for the first directly elected presidency, due to emerge in two years. Either way, the enigmatic Mr Di Pietro is likely to become an increasingly important if uncertain player in Italian politics.

Antonio Di Pietro celebrates his by-election victory Reuters

Russia set for big tax drive

By Chrystia Freeland

The Russian government is on the verge of implementing a radical plan to tackle low rates of tax collection, officials said yesterday.

Previously, Moscow has failed to boost tax collection, but pressure from the International Monetary Fund and support for the programme at the highest levels could lend greater urgency to the attempt.

The country's continuing fiscal crisis, which the government had hoped to solve with a radical tax collection campaign this spring, is one of the biggest obstacles to economic recovery.

Last month, the IMF suspended a planned loan payment to Russia, citing poor revenue collection. But this time, it is pleased with Moscow's efforts. On a one-day visit to Russia, Stanley Fischer, IMF deputy managing director, backed the government plan.

"Very rapidly, the Russian government prepared an action plan for dealing with both the revenue and spending sides of the problem," Mr Fischer said, mentioning two measures the programme will include.

One, already in law as a presidential decree, is the ending of tax offsets – tax breaks granted to companies in exchange for goods and services provided to the government. Another expected measure is a more vigorous effort towards a treasury system. At present, budget moneys go through banks.

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Francophone network hopes summit will win friends

The accent may swing more to economic matters than cultural pursuits

France's president, Jacques Chirac, may have lost much of his power at home, but he hopes to give a considerable boost to his country's influence abroad this week with the opening of the seventh "francophonie" summit in Hanoi.

The two-day meeting, attended by 49 countries and 30 heads of state, will add a new dimension to the growing ambitions of a network whose first summit was held 11 years ago to promote the culture and language of the French-speaking world.

The aim is to shift the network's emphasis towards political and economic issues.

For Mr Chirac, forced to "cohabit" with a left-wing government which came to power after general elections last June, francophonie is a way to win all-party support, even at the cost of international bemusement.

Ironically, it was his long-standing rival – the late Socialist president, François Mitterrand – who launched the first francophonie summit at Versailles in 1986 with a warning that the French identity was "threatened". Mitterrand spoke of the need to fight against the "abolition of difference".

However, beyond its development as an accompaniment to French colonial, commercial and diplomatic power in the past, the language has been explicitly propagated for more than a century.

Alliance Française, which was founded in 1883, has more than 1,000 centres around the globe, and there are over 400 state-supported lycées.

Domestically, Jacques Toubon, the Gaullist ally of Mr Chirac, raised the profile of francophonie with his laws to preserve the purity of French from an "invasion" of English words.

On the other hand, Lionel Jospin, the Socialist prime minister, has emphasised the importance of increasing financial support for culture and language.

At a time when France is rethinking its international role, and is reducing its military presence in its former African colonies, a cultural offensive is a relatively low-cost and uncontroversial way to maintain a presence on the world stage.

"It is not summits that will meaningfully advance the French cause," says one retired French ambassador. "But the question of language is very important. And francophonie is an inexpensive way for people to meet and attract some attention to the subject."

The first few francophonie meetings concentrated on support for activities such as education, culture and broadcasting. The talks this Friday and Saturday are taking a different turn, which illustrates France's determination to maintain a leading and sometimes contrarian role in international affairs.

For example, the network is expected to create a permanent institutional base, with the appointment of a staff of 10 this week and the election of its first secretary-general. That post is likely to go to Boutros Boutros-Ghali, the former secretary-general of the United Nations, whose reappointment France supported, but whose term was not renewed partly because of US pressure.

The Hanoi agenda also gives considerable emphasis to discussions on the transition to democracy, press freedom and human rights. To critics, that represents an unnecessary duplication of the work of existing international organisations.

Others question the costs of francophonie – which among education, cultural matters, technical co-operation and other activities runs to several billion francs a year – compared with its effectiveness. There are 131m French speakers, representing just 2.5 per cent of the world's population. That makes it only the ninth most widely-spoken language, or the fifth across more than one continent.

"It's a battle that is a bit lost in advance," says Philippe-Moreau Defarges, chargé de mission at the French institute for international relations. He says culture spreads with military victories, international migration or creativity – none of which he argues is now strongly associated with France. "It's all rather defensive. But you have to do it."

The choice of Vietnam – and the rapid growth in club members such as Bulgaria which have little apparent connection to the French language – suggests a final, economic motive for francophonie. Mr Chirac said last year that he planned to treble French trade with Asia by the turn of the century. He has placed the transition to the market economy on the agenda.

He has also sandwiched the summit between visits to Vietnam and Malaysia, in the company of 23 business leaders. But if necessary, most of them will no doubt be happy to speak English as they negotiate their contracts.

Andrew Jack

NEWS: EUROPE

Germany fears it could be the loser in Emu bank carve-up

Preparing for Emu

The distribution of central bank profits under European economic and monetary union is a question that is beginning to trouble central bankers. Germany appears to be the big loser in the coming carve-up of the profits of different countries' central banks.

This has now been acknowledged by a senior Bonn finance ministry official, according to a letter reprinted in the latest issue of the quarterly journal Central Banking*.

Hansgeorg Hauser, parliamentary secretary of state in the German finance ministry, confirmed in a letter that "if the current balance sheet structures of the EU central banks were to remain unchanged, the Bundesbank would indeed be a net payer in the profit distribution of the [European System of Central Banks]. Consequently – *ceteris paribus* [other things being equal] – this would be linked to a worsening of the earnings position of the German Bundesbank."

This problem first arose during the negotiations on the EU's Maastricht treaty and there are some suggestions that German officials may simply have overlooked the issue.

The estimates of the losses vary. In a detailed analysis** of this issue, Hans-Werner Sinn and Holger Feist concluded that France and the United Kingdom would be the two big winners from Emu with gains of Ecu26bn ($30bn) and Ecu23bn respectively – enough to build another three tunnels underneath the Channel. Italy would be another big winner with Ecu10bn.

The biggest loser, they say, would be Germany with a loss of Ecu48bn, followed by Spain with Ecu17bn and Austria with Ecu 5bn.

Mr Hauser's letter was written in July in response to a question from Ingrid Matthäus-Maier, SPD spokeswoman for finance. It blamed the economic consequences of the collapse of the Iron Curtain, especially the increased use of D-Mark banknotes and coins in eastern Europe.

One specific problem is seignorage – a profit that central banks receive because cash in circulation does not bear interest, while each banknote is backed by a interest-bearing security. The more cash a country issues, the greater the profits on seignorage.

Since it issues the only EU currency to be used regularly outside its own borders, the Bundesbank has traditionally enjoyed the greatest seignorage profits of all EU the central banks. Yet Germany's share of the future European Central Bank (ECB) will be significantly smaller than its share of the EU monetary base.

> There are some suggestions that German officials may simply have overlooked the issue

No agreement has yet been reached about transitional arrangements. But since the total number of winners will exceed the number of losers, Germany will have a difficult job persuading the majority to forego an otherwise guaranteed windfall profit.

Separately, Richard Portes, professor of economics at the London Business School, and Hélène Rey, a lecturer at the London School of Economics, calculated that the new single currency – the euro – could carry significant seignorage profits if it were to obtain a status as a large international currency on a par with the dollar.

They estimated that the dollar carries annual international seignorage profits – arising from cash circulating outside the the US – of approximately $5bn to $10bn. A second source of seignorage arises through the liquidity discount, which arises because of the dollar's high liquidity and the ensuing reduction in bid-offer spreads.

In addition, there are other efficiency gains that stem from the use of a highly liquid currency. The total seignorage gains in the US could add up to between $15bn and $30bn per annum.

If the euro achieved a similar status to the dollar it could also count on large seignorage profits, which would then be shared out on the basis of the national banks' shareholding in the European Central Bank.

Wolfgang Münchau

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***Hans-Werner Sinn, Holger Feist, Eurowinners and Eurolosers: The distribution of Seignorage wealth in Emu; Center for Economic Studies, University of Munich, working paper No 134, May 1997.*

Swiss plan bank link to Target system

By William Hall in Zurich

Swiss banks are planning to found a Swiss Euro Clearing Bank in Frankfurt to provide direct access to Target, the European Union's new clearing system.

Target, whose full title is the trans-European automated real-time gross settlement express transfer, will start handling cross-border payments in the euro from the beginning of 1999.

Although Switzerland is not a member of the European Union, the majority of its cross-border payment traffic is with EU members. As a result, Swiss banks are preparing to conduct a large part of their business in euros, both in and outside Switzerland.

More than half of Switzerland's 400 banks participate in the Swiss interbank clearing system (SIC), which handles an average of 427,000 payments a day, totalling SFr150bn ($107bn).

The Swiss National Bank, which provides the liquidity for the Swiss domestic interbank clearing system, could eventually be linked to Target.

However, European monetary officials prefer to wait until a European Central Bank is established before negotiating Target membership and access for countries outside the first wave of monetary union.

Because of the delays, the Swiss banks have decided to set up their own bank in Frankfurt to give them an immediate link into the Target payments system.

The Swiss Bankers Association has signed a contract with Telekurs, which operates the SIC, to develop a Euro-SIC system, which will permit clearing domestic Swiss payments in euros as well as Swiss francs.

However, connecting this to the new Europe-wide payments system needs access to Target; this is the reason for the initiative to set up the Swiss Euro Clearing Bank in Frankfurt.

The main Swiss banks already operate in EU countries and will have access to Target through their local branches or subsidiaries. Other Swiss banks could use their correspondent banking networks to settle cross-border payments in euros.

However, Swiss banks believe that their payment system can be made more efficient and cheaper if they operate their own clearing bank.

The Swiss National Bank is not directly involved in the initiative and the new clearing bank will assume some of the responsibilities that the SNB carries out in the Swiss domestic clearing system, such as account management and procurement of liquidity.

The new Swiss euro clearing system will operate in much the same way as the SIC. The main difference is that there will not be a central euro account at the SNB where banks can settle their inter-bank payment transactions.

The role of providing the necessary liquidity will fall to the new Swiss Euro Clearing Bank, which is expected to have to raise funds on the inter-bank market.

Bruno Gehrig, a senior official of the Swiss National Bank, expects the Swiss franc to play an increased role in world currency transactions after the launch of the euro, because it would become a more important diversification currency.

NEWS DIGEST

Trans-Chechnya oil pipe reopened

An oil pipeline running through the volatile Chechen republic has been reopened, clearing the way for the export of the vast Caspian Sea oil reserves to the west.

The Chechen section of the pipeline was seriously damaged during the nearly two-year war Russia waged in an effort to prevent Chechnya's secession. More recently, political tension between Russia and Chechnya and a dispute over the fees the Chechen republic should receive for allowing oil to pass through its territory have threatened the pipeline.

Russian officials have said they were considering building a new oil pipeline around Chechnya. But over the weekend, Chechen and Russian officials held a brief ceremony on the border between Russia and Chechnya to mark the official reopening of the pipeline. This week the international consortium operating the $8bn Caspian Sea project begins pumping the first crude, destined for the Russian port of Novorossiisk, through the pipeline. *Chrystia Freeland, Moscow*

■ CYPRUS TALKS

Breakthrough hopes fade

Richard Holbrooke, US presidential envoy, said yesterday he did not expect any immediate advances on a solution to the 23-year division of Cyprus during talks with leaders of the island's two communities. "I do not expect any breakthroughs while we are here," Mr Holbrooke declared ahead of talks with Glafcos Clerides, Cyprus President, and Rauf Denktash, Turkish-Cypriot leader.

"I am not trying for any big deal on this trip," he added. But the meetings showed that both Mr Clerides and Mr Denktash were willing to continue talking "about issues of immense complexity which have defied solution for many decades". Cyprus has been divided since Turkey invaded the northern third of the island in 1974 following a coup in Nicosia aimed at uniting the island with Greece. *AFP, Larnaca*

■ US CONGRESS

Bonn hails Scientology vote

Germany hailed the US Congress yesterday for voting down a resolution accusing Bonn of discriminating against minority religious groups, particularly the Church of Scientology. Officials also dismissed claims that Germans were being persecuted because of their religious beliefs and said they were astonished by reports that a German member of the church had received asylum in the US.

"This shows that reason has prevailed," the foreign minister, Klaus Kinkel, said after the US House of Representatives voted against a measure urging Bill Clinton, the president, to express US concern at Bonn's treatment of religious minorities, notably Scientology.

Germany, which unlike the US does not recognise Scientology as a religion, says the group is a purely economic organisation, exploiting the weaknesses of its members for profit. *Reuters, Bonn*

■ YUGOSLAV REFORM

Sanctions compromise sought

Yugoslavia's deputy prime minister, Danko Djunic, said yesterday he expected a compromise between Yugoslavia and US-led western critics who are maintaining sanctions against it.

He acknowledged that Yugoslavia needed to meet political conditions for the sanctions to be rescinded: "I expect Yugoslavia to find the strength for a mutually acceptable compromise leading to a solution, because rejoining world financial bodies and eliminating the outer wall of sanctions is the precondition for reforms."

Mr Djunic, an economist and reformer, did not indicate what shape the compromise would take. Most United Nations sanctions imposed over Belgrade's involvement in the war in Bosnia were lifted in 1996. But the west has said an "outer wall" of sanctions would endure until indicted Serb war criminals are surrendered and reaches an accord with ethnic Albanians seeking autonomy in Serbia's province of Kosovo. *Reuters, Belgrade*

■ ESTONIAN SHARES

Stock exchange prices fall

Estonia's troubled stock market fell 19.5 per cent yesterday as investors sold shares in a market affected by a liquidity crunch. The decline follows a 14 per cent drop last Thursday, and monetary tightening in mid-October by the Bank of Estonia, the country's central bank. Concerns over the current account deficit and its impact on the stability of the currency board, which ties the kroon to the D-Mark, had prompted central bank action.

"In a country used to seeing the happy side of the currency board, investors are now seeing the ugly side," said Hardo Pajula, an economist with Price Waterhouse in Tallinn. "If investors do not see improvements in the current account, interest rates will stay high because of speculative pressures," he said. *Matej Vipotnik, Tallinn*

US group's investment set to fuel Irish tax row

By John Murray Brown in Dublin

Boston Scientific Corporation, the US healthcare company at the heart of a dispute between Ireland and the European Commission over unfair tax competition, said yesterday it would invest I£40m ($59m) expanding its Irish operation.

The move seems certain to increase concern over Ireland's low corporate tax regime. Legal quarrels continue between the US-listed company and its former Belgian employees, laid off when its Petit Rechain plant closed in 1996 and the jobs moved to Ireland.

According to yesterday's announcement, the company, which manufactures "minimally invasive" medical instruments used in key-hole surgery, is to create an additional 1,000 jobs in Galway and 1,050 in Cork, where it will make systems to treat brain disease.

Mary Harney, Ireland's deputy prime minister, said this was the largest foreign investment this year, and one of the biggest outside Dublin.

She said the company had come to Ireland because of "the low corporate tax rate, the skills base and the quality of life". However, she insisted the new jobs would otherwise have gone to Malaysia or Puerto Rica. Ireland accounts for 30-40 per cent of all US inward investment in the EU, despite having only 1 per cent of the EU's population.

However, its low 10 per cent corporation tax rate for manufacturing has become an issue for other EU members who say it distorts investment flows and results in jobs displacement.

"The EU has to learn that lower taxes are the way to the future. Ireland's corporate tax rate is not in danger.

"What is in danger is having a higher rate for services. That's why we have to move the standard rate down to a lower single rate," Mrs Harney said. Mrs Harney, who is also minister for enterprise and employment, is negotiating a new rate with the Commission. She met both Mario Monti, the EU commissioner in charge of the single market, and Karel van Miert, the competition commissioner, in Brussels last month. She said the government planned to reduce the standard rate – now 38 per cent – to "no higher than 12.5 per cent by 2005".

"The EU doesn't care what the rate is. Once everyone [in Ireland] is on the same rate, the EU would be happy with that," she said. Last week EU members agreed on a code of conduct to harmonise internal rates.

Ireland's existing corporate tax rate runs until 2010. However, as the country's corporate tax incentives are now deemed to be a "state aid", any new rate will require specific Commission approval from Mr Van Miert.

Polish PM in promise over sell-offs

By Christopher Bobinski in Warsaw

Poland's new centre-right government will press ahead with privatisation, cut bureaucracy and decentralise public finances, Jerzy Buzek, the prime minister, said yesterday.

He said that Telekomunikacja Polska (TP), the state telecoms operator, would be privatised in line with European Union practice and he promised to set up national investment funds, designed to restructure and privatise Poland's remaining state companies. Privatisation would be completed in his government's four-year term. He said: "Poland's middle-class must grow stronger."

Mr Buzek, a 57-year-old chemical engineering professor, won repeated applause from supporters of the coalition between his Solidarity Electoral Action (AWS) and the pro-business Freedom Union (UW) as he attacked the record of the previous government, headed by former communists.

He said the outgoing government had postponed structural reforms and, as a result, had seen the balance of payments run into deficit despite strong growth and falling inflation.

The new government was determined to build a society based on private property, Christian beliefs and family values as it completed Solidarity's drive, started eight years ago, to destroy the old communist system, Mr Buzek said. The strongly anti-communist rhetoric reflected Mr Buzek's personal convictions as a Solidarity veteran as well as a desire to keep the support of the right wing in the AWS.

This element has criticised its leaders for giving the UW, the alliance's liberal coalition partner, too much influence over policy. Indeed, a fringe had threatened to vote against the cabinet unless Mr Buzek underscored his cabinet's rightwing credentials.

The AWS has 201 deputies in the 460-seat chamber, where it needs the UW's 60 votes to win a majority for Mr Buzek's administration.

The government, he said, was committed to tight controls on spending and a gradual reduction of the budget deficit, which is expected to reach around 2.4 per cent of gross domestic product this year.

The pledge was accompanied by a promise to support the independence of the central bank. Mr Buzek promised teachers more pay, reforms in the health service and a privately managed fund based pension scheme to cover retirement costs.

Young girls holding a banner calling for 'Justice for Said' march through the streets of Brussels at the weekend during a demonstration sparked after police shot dead Said Charki, a Moroccan suspected drug dealer last Friday. Belgium's capital was on high alert yesterday after clashes between North African immigrants and police. Johan Vande Lanotte, interior minister, called for calm after a meeting with civic leaders Reuters

Islamic party faces Turkish court closure

Turkey's Islamist leader, Necmettin Erbakan, will have his day in court today when he pleads his case against a state prosecutor's attempt to close his Welfare party.

But Vural Savaş, the state prosecutor will accuse Welfare of fomenting rebellion against the state, and Turkey's powerful secular establishment hope this will be the last they ever hear of Mr Erbakan.

Mr Savaş brought his case against Welfare in May at the height of a military-inspired campaign to force Mr Erbakan, then prime minister, from office. Although he quit a month later, the case against Welfare, still Turkey's biggest political party, rumbles on.

Mr Erbakan – or, possibly another senior party official – will make an oral defence before the constitutional court today, but most observers agree that the country's highest court will rule against him.

Sedat Ergin, an editor on the secularist newspaper *Hürriyet*, commented: "The prosecutor has a strong case. It is no secret that the party violated the constitution. But a party closure in a democracy is nothing to be jubilant about."

The court is not expected to announce a ruling until the end of the year. If Mr Erbakan does lose, not only would Welfare be proscribed, but he and other party leaders could be banned from politics for up to five years.

Mr Erbakan's aides say they are ready to set up a new party, under a caretaker leader, the day after the court announces a negative verdict. Abdullah Gül, a moderate Welfare MP, said Welfare's predecessors were closed in the 1970s and 1980s, "but each time we grew stronger and the same thing will happen again".

Still, many among the secularist elite believe that Welfare's closure, allied with economic reforms and realignment on Turkey's political right, would deal a death blow to the party.

The fruits of reform would provide the basis for Mesut Yilmaz, the conservative prime minister, to win elections late next year or in 1999. That could deliver a majority government able to keep Turkey firmly on the road to political and economic modernisation.

Erbakan: under pressure

Support for Welfare, or its successor, would be confined to the dispossessed, as incomes rise and unemployment recedes. In the future, an Islamist party would be confined to the margins of national politics.

However, few economists believe Mr Yilmaz will be able to deliver his promise to slash inflation of 92 per cent to 3 per cent by 2000.

Welfare's support has held steady over the last six months at about 20 per cent of the electorate. Its backing could increase if Mr Yilmaz fails to steady the economy or improve the provision of basic services such as education and health.

John Barham

Germans relent over EU meeting

By Neil Buckley in Brussels

Germany yesterday dropped its objection to Turkey's inclusion in a 27-nation "standing conference" that would group all countries applying to join the European Union as well the 15 member states.

Germany's previous refusal to allow Turkey into the conference, which would hold its first meeting next spring, overshadowed an informal EU foreign ministers' meeting in Luxembourg last month. The UK, France and Italy had supported the idea.

But Klaus Kinkel, German foreign minister, told his EU counterparts yesterday that Germany "would not scupper" the idea of including Turkey, if other EU members were in favour. Robin Cook, UK foreign secretary, said there was now "broad agreement that there should be a permanent conference that would bring together all of those applicant countries who are actively pursuing their applications".

Greece still opposes Turkey's inclusion, because of the 23-year-old dispute over northern Cyprus. But the shift in Germany's position will strengthen the hand of Jean-Claude Juncker, Luxembourg prime minister, and Jacques Poos, foreign minister, when they visit Ankara on November 27.

The two men, representing the EU presidency, are expected to demand commitments from Turkey, including strengthening respect for human rights, lifting martial law in Kurdish areas, and agreeing to joint talks on northern Cyprus.

In return, officials said Mr Juncker and Mr Poos could hold out the prospect of December's summit of EU leaders offering concessions to Turkey including confirmation of its eligibility for EU membership.

Bonn pensions deal off

By Ralph Atkins in Bonn

The prospects of a deal to curb Germany's soaring statutory pension contributions slumped yesterday after the opposition Social Democratic party rejected new government plans to reform the sector.

The swift rejection by Oskar Lafontaine, SPD leader, came despite industry alarm at the impact on labour costs and jobs of an unexpectedly-steep rise in pension contributions from 20.3 per cent of gross wages to a record 21 per cent proposed for next year. Contributions are shared between employers and employees.

Mr Lafontaine's hardline stance also appeared at odds with an attempt at the weekend by Gerhard Schröder, SPD prime minister of Lower Saxony and a possible chancellor candidate in next year's federal elections, to end the pension reform deadlock. The latest row follows the failure in the summer of plans to reform Germany's tax system.

Mr Schröder had appeared to be moving towards government proposals which involve raising value added tax by one percentage point to 16 per cent and using the proceeds to relieve pension funds.

SPD support is needed because the party controls the Bundesrat, second chamber of parliament, which represents the federal states.

After a meeting of CDU leaders yesterday, Peter Hintze, the party's general secretary, proposed bringing refinancing plans for the state pension scheme forward by one year to 1998. But he insisted the government would also have to bring forward structural reforms of the creaking pay-as-you-go pension system scheduled for implementation in 1999.

Mr Hintze's position echoed demands earlier yesterday from the Free Democratic Party – the liberal-orientated junior member of the centre-right ruling coalition – that any tax increase would have to be part of an overall reform package.

Mr Lafontaine, however, said the SPD could not accept proposals which eroded the value of state pensions.

The government has until December 19 to find a compromise. But the suspicion is growing that Mr Lafontaine's tactics are aimed simply at driving a wedge between the parties in the government coalition.

Better offers expected at WTO financial services talks

By Frances Williams in Geneva

The success or failure of World Trade Organisation talks on opening global financial services markets to foreign competition could be determined this week. Leading emerging markets in east Asia and Latin America are expected to come forward with improved offers.

Trade diplomats said yesterday that promised liberalisation offers from Brazil, Indonesia, Malaysia and the Philippines would inject new momentum into the talks, due to conclude on December 12. "This week is critical," one senior negotiator said yesterday.

Malaysia's offer was expected last night but the other three have not said whether they will formally present their proposals before a meeting tomorrow of top negotiators to launch the final phase of bargaining.

The talks are proceeding more slowly than hoped, partly because of the Asian currency turmoil.

Since the talks resumed in April, 44 countries, including the 15 members of the European Union, have made new offers to open their banking, insurance and securities sectors, the latest being Tunisia; Israel, Costa Rica, Peru, Uruguay and South Africa.

However, among the members of the Association of South East Asian Nations, only Singapore has made formal proposals. Brazil and India are other notable absentees.

The US, which walked away from an interim deal in 1995, has made better offers from these important markets a condition of joining a multilateral pact in December.

"Right now we don't have anything substantively different from what we had two years ago from these key countries," one US trade official said yesterday.

The US has been more flexible in these negotiations than in 1995. For example, it has agreed to the staging of liberalisation commitments by developing countries and "safeguards" for financial crises. Washington can subscribe to a financial services agreement despite the administration's lack of "fast-track" negotiating authority because the accord will not commit the US to any change in domestic legislation.

EU officials said yesterday that the planned east Asian offers were an improvement though they did not go as far as hoped in guaranteeing existing investments by foreign financial services companies.

Renato Ruggiero, WTO director-general, who has stressed the benefits of a deal for restoring financial stability to Asian financial markets, recently described the prospects for an accord as "rather good".

Clinton's failure to win over public opinion led fast-track to come off the rails, write **Bruce Clark** and **Nancy Dunne**

Middle America spurns fast-track

Yesterday's humiliating failure by President Bill Clinton to secure congressional approval for fast-track negotiating authority left an atmosphere of rancour and disarray among the lobbyists and law-makers who rub shoulders on Capitol Hill.

The corporate interests who had campaigned intensively for a "yes" vote were furious with the administration for being so tardy in bringing the bill to a vote and failing to educate the public about the issues at stake.

Liberal democrats and trade unionists who opposed fast track, on the grounds that the president's proposal did not take sufficient care of labour and environmental issues, were quietly triumphant – though many were still smarting from the strong-arm tactics which the White House applied.

While President Bill Clinton thanked Newt Gingrich, the Republican House speaker, for his co-operation in gathering votes, there was much private back-biting between the two parties.

Republicans accused the administration of being unable to manage its own Democratic supporters, while the White House blamed conservative legislators for attaching unreasonable conditions – by attempting to link fast track with a bar on foreign aid that might indirectly subsidise abortion.

Joseph Martyak, a spokesman for the US subsidiary of the UK-based chemicals group ICI, said – in a view shared by many corporate spokesmen – that the administration's attempt to inform the public about fast-track had turned out to be too little, too late.

The administration's failure would weaken the President's hand at the forthcoming conference of the Asia-Pacific Economic Council, and have serious implications for global companies like ICI which were continuously re-evaluating which manufacturing base to use for their exports, he said.

Both supporters and opponents of fast-track said the failure reflected a surge of opposition from ordinary voters, who remain sceptical about the benefits of the North American Free Trade Agreement, whose ratification by Congress triggered a similar debate in 1993.

While the business lobby which campaigned successfully for Nafta slackened its effort once victory was secured, the anti-Nafta coalition has remained intact and active at local level, blaming factory closures on foreign competition. Jeff Faux, president of the Economic Policy Institute, a liberal think-thank, said the failure of fast-track was not a reflection of "raw power and big labour" but a response to public opinion.

Trade union pressure had been effective, he said, because "a more sophisticated labour movement, well in tune with public sentiment, had discovered an issue that resonates with ordinary people."

A similar phenomenon had been observed during the summer, when a sympathetic public helped striking workers at the UPS parcel company to secure a satisfactory settlement.

While the trade unions speak for only 15 per cent for the US workforce, the tight labour market and the insecurity associated with globalisation appear to have increased their influence.

"The fast-track outcome suggests that most representatives are listening to their constituents very carefully," said Mark Anderson, an organiser of the Food and Allied Services union, who insisted that Mr Clinton's failure should not be seen as a setback for free trade.

"This debate had nothing to do with free trade or protectionism, it was about the rules that are needed as we expand trade and investment, and the fact that Clinton's proposals fell far short of addressing the public's fears about exporting slack labour and environmental standards," he added.

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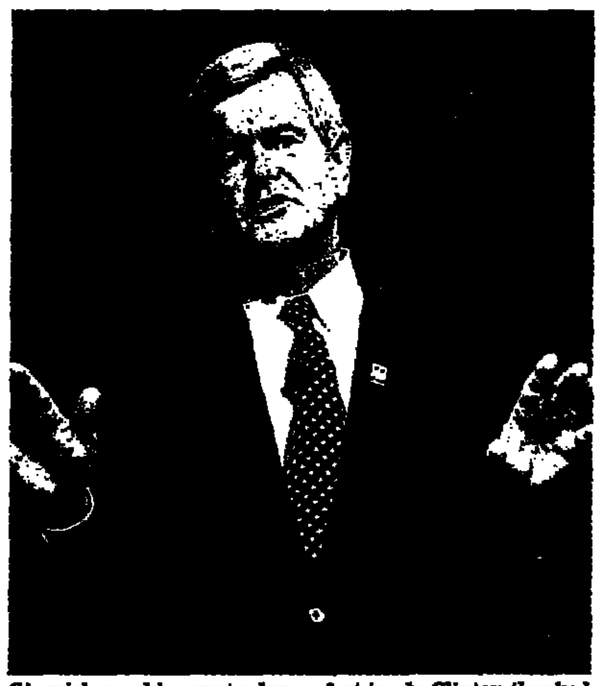


Gingrich speaking yesterday on fast-track. Clinton thanked the Republican House speaker for garnering support

R-R eyes $1.3bn prospect

By Michael Skapinker, Aerospace Correspondent

American Airlines has named Rolls-Royce of the UK as engine supplier for its Boeing 777 fleet. American has ordered 11 Boeing 777s, but could eventually buy up to 50, which would mean an order worth $1.3bn for Rolls-Royce.

American uses Rolls-Royce engines on its Boeing 757s and Fokker 100s, and was already the UK manufacturer's biggest overseas customer. Robert Crandall, American's chairman, said: "We have been very pleased with the performance and reliability of the other Rolls-Royce engines we use."

American said it would also buy an additional four Boeing 767s. The orders are part of American's plans to buy more than 600 Boeing aircraft over the next 20 years. The European Commission forced Boeing to drop 20-year exclusive supplier agreements with American, Delta and Continental Airlines. However, all three have said they will only buy Boeing aircraft.

Rolls-Royce's sales of its Trent engines for the Boeing 777 suffered a setback in the early 1990s when British Airways bought engines from General Electric of the US instead. But Rolls-Royce engines have been chosen to power the Boeing 777s of several prominent carriers.

Delta Air Lines has options on 10 777s, for which it has designated Rolls-Royce as the engine supplier.

Latin Americans divided on upset to trade strategy

By Stephen Fidler in London and Raymond Colitt on Margarita Island, Venezuela

Failure of the US administration's attempt to secure fast-track would make some Latin American political leaders uneasy and others relieved.

Fast-track is widely seen as the key to a strong US commitment towards negotiations for a Free Trade Area of the Americas. This was to be achieved by 2005 under an agreement signed by President Bill Clinton and leaders from 33 other western hemisphere countries at a summit in Miami in 1994.

With preparatory work close to conclusion, negotiations were to start in earnest after a second hemispheric summit, next April in Santiago, Chile.

The FTAA was not dead without fast-track, but momentum would slow significantly, observers said.

"We believe it is better for the US to arrive at Santiago with fast-track in hand. Why? Because the rules of the game will be much clearer. The US administration will be able to commit more with fast-track," said Alvaro Ramos Trigo, foreign minister of Uruguay, speaking in Venezuela.

According to Sebastian Edwards, economics professor at the University of California, Los Angeles: "There will be great disappointment among the political leadership in Latin America."

Michael Shifter of the InterAmerican Dialogue, a Washington-based, pan-American think-tank, said: "The whole sense of convergence among the Americas that one thought of a few years ago has dissipated." The sense in Latin America that the FTAA had become the latest in a series of failed post-second world war political initiatives towards Latin America would be combined with doubt about Washington's approach to the region in the years to come. If trade was the carrot for Latin America in its relations with the US, now all that remained was the stick, on issues such as drugs and immigration.

US clout in Latin America would also be reduced. Mr Edwards said that the US was less likely than ever to win support for an end on capital controls in the region, which it hoped to raise in Santiago.

However, he said the economic effect on Latin America of a failure to win fast-track would be "insignificant or positive".

He said that the FTAA process, as it had been developing, was discouraging countries from opening their economies. Looking to future negotiations, governments were keeping tariffs high to use as bargaining chips.

Moreover, the US market was already open to most Latin American countries, he said.

Any FTAA would offer little protection in disputes with US producers anyway, as Mexico's experience since 1994 with the North American Free Trade Agreement had shown.

However, relief is likely to be the predominant emotion among Brazil's political leadership. Brazil's ambassador to the US said some weeks ago that the loss of fast-track "would not cause any sadness in Brazil".

Brazil's doubts reflect concerns about the impact of lower tariffs on a domestic industry already hit by tariff cuts over the past decade, coupled with worries about its widening current account deficit.

However, speaking in Venezuela at the weekend, Luiz Felipe Lampreia, the Brazilian foreign minister, sounded a more ambiguous note.

"I think for the United States to be able to participate constructively on international trade decisions is a positive," he said.

S Korea bourse rebounds by 6%

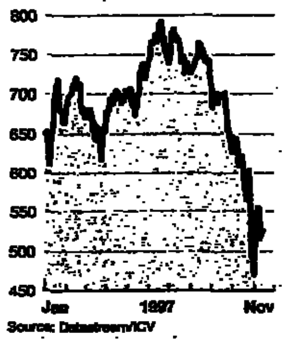
By John Burton in Seoul

Expectations that South Korea will this week announce measures to soothe financial market turmoil caused the Seoul bourse to rebound 6 per cent to 525.32 points yesterday.

But prospects of a sustained recovery remained uncertain as the won, the Korean currency, fell just one won short of the psychological barrier of 1,000 to the dollar, as it dropped by 1.9 per cent. This pushed up the benchmark three-year bond yield to 12.9 per cent.

The government last night pledged to hold the won at the 1,000 barrier, a record low. But whether it will be able to do so is doubtful, because Korea's low foreign-currency reserves of $30.5bn are less than the three-month import cover recommended by the International Monetary Fund.

South Korea



South Korean companies are hoarding dollars in expectation that recent credit downgrades will increase interest rates on overseas debts, amid reports that Korean banks are having problems securing new foreign loans.

Overseas investors fleeing the Seoul bourse due to worries about foreign exchange losses are exchanging won for dollars, putting further pressure on the currency. The won has fallen 18.3 per cent against the dollar over the year.

A recent decline in the Japanese yen is leading to a competitive devaluation of the won as Korea seeks to protect export growth from its main economic rival.

The won's latest drop was blamed on dollar buying by troubled Korean secondary financial institutions, short of foreign currency after loan losses. The package of measures to be proposed by the finance ministry is expected to focus on rescuing merchant banks, with government support linked to possible forced mergers.

HK supports bank affected by 'minor run'

By Louise Lucas in Hong Kong

Hong Kong's de facto central bank yesterday sought to reassure investors after depositors rushed to withdraw funds at one of the territory's smaller banks.

Mike Murad, vice-chairman and chief executive of International Bank of Asia, described the withdrawals at the bank as a "minor run" and said it was comfortably equipped to meet its obligations.

Sir Donald Tsang, the territory's financial secretary, said the government would support IBA. "We won't stand aside if it has any need for support to its capital flow," he said.

Hong Kong's three note-issuing banks also rushed to the defence, saying the territory's banking system was robust and able to withstand periods of volatility.

The move was seen as an attempt to quell a potential domino effect with depositors seeking a flight to quality and transferring funds from smaller banks to the larger ones.

IBA is 55 per cent owned by Arab Banking Corporation and 20 per cent by China Everbright-IHD Pacific, a subsidiary of the investment arm of China's state council. But even with strong parentage and hefty cash reserves, IBA is expected to experience difficulties dispelling rumours in the current environment.

IBA sought to stem the outflows of deposits by pointing to some HK$6bn (US$775m) in liquid funds and support from its parent owners.

The withdrawals at IBA highlight the pressures faced by the territory's smaller banks whose cost of funding has been increased by rising interbank rates while prime lending rates have failed to keep pace.

Unlike the bigger banks, which can fund loans from their substantial customer deposits, the smaller banks are more reliant on money market funding – and hence feel the squeeze most when interbank rates rise.

Rates in the interbank market have risen chiefly as a result of defending the Hong Kong dollar from speculative attack. Yesterday the HKMA injected funds into the overnight market to introduce liquidity and bring rates down from 10 per cent, a move which helped the banks looking to cover their exposure at the end of the day.

IBA's share price fell 12.8 per cent to HK$2.90 yesterday.

Borrowing costs hobble business

Hong Kong interbank interest rates – the rate at which banks lend to each other – rose sharply higher yesterday amid a growing credit squeeze.

As the cost of overnight money touched 10 per cent yesterday morning, the Hong Kong Monetary Authority, the territory's de facto central bank, moved in funds to avert a liquidity crunch. The overnight rate eased to around 6 per cent.

Traders say banks are shoring up Hong Kong dollars for their own purposes. The reported reappearance on Friday of speculators further discouraged banks from lending money, prompting yesterday's surge to 15 per cent for three-month money.

The higher cost of funding has sparked a wave of nervousness that goes far beyond the banks. Companies, whose borrowing has risen steadily in the past three years, and home-owners paying mortgages are also feeling the pinch.

Analysts say another increase in banks' lending rates is increasingly likely. Last month banks raised their prime lending rates from 8.75 per cent to 9.5 per cent, as a result of spiralling interbank rates.

For companies, the net result could be a doubling of interest repayment bills. Hong Kong companies generally borrow on floating rate terms – where the interest rate is not fixed but fluctuates in line with the Hong Kong interbank offered rate (Hibor).

Property and banking form two of the pillars of Hong Kong's economy, and with their fortunes bound up in the direction of interest rates, the territory is increasingly focused on the money markets, which normally play second fiddle to the stock market.

Speculators, too, have targetted the money markets, betting on a collapse of the currency peg which links the Hong Kong dollar to the US dollar.

Repeated assertions from government officials that the currency peg will remain in place and the high cost of borrowing Hong Kong dollars has failed to banish the speculators entirely, although traders say their numbers are heavily depleted.

"There is nothing to change the view that the Hong Kong dollar will not continue to be under speculative attack. It always will be until there's a resolution to the question: 'Is the Hong Kong dollar fairly valued?'," says Steven Thompson, chief analyst with Nikko Research Centre in Hong Kong.

There is also what Andrew Fung, treasurer (Hong Kong) at the Commonwealth Bank of Australia, refers to as a "structural problem". As the year-end approaches banks are loathe to commit money for any longer than one month, while interest rate traders have been chastened by their losses earlier in the year and are staying out of the market.

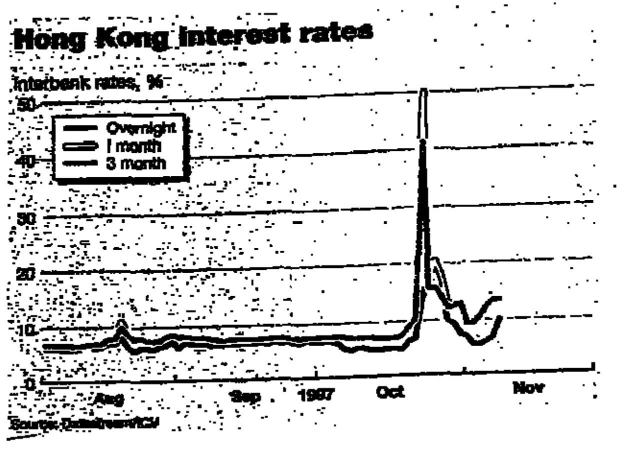
Such factors helped push the cost of one-month and three-month money to more than 15 per cent yesterday, compared with around 13 per cent on Friday. "This level is extremely detrimental, both to psychology and to the cost of funding," says T.C. Chan, head of corporate banking in Hong Kong at Citibank.

How long the high rates will persist is open to debate. "These are short-term pains," Tung Chee-hwa, Hong Kong's chief executive, assured a business audience during a speech yesterday.

Others believe the tide will not turn until the new year in view of the pressures on banks to meet year-end targets – particularly as the south-east Asian financial crisis has now swept up on the shores of South Korea and Taiwan, *again focusing* attention on the territory.

Louise Lucas

Hong Kong interest rates



Cool hand to guide Thai economy

For a man who just landed in Thailand's hottest seat, Tarrin Nimmanhaeminda seems remarkably cool. Later this week he will be formally sworn in as the country's eighth finance minister in less than three years. He will take charge of an economy in shambles.

Mr Tarrin says hard decisions are necessary but taking these should be simple because they are essential to prevent a collapse of the country's financial system.

The International Monetary Fund has told Thailand it must decide what to do with its 58 suspended finance companies by the end of the month to be eligible for another disbursement of the Fund's $17.2bn rescue fund. The agency set up to make the decision only rented office space last week but Mr Tarrin remains confident.

"We will achieve the end of the month deadline," he says. "We will not use more public funds to solve this problem [of the 58 companies]. Nor will we change the criteria for them to reopen *which I believe is strict* and reasonable."

There are aspects of the IMF programme Mr Tarrin does want to change. He doesn't want assets taken from liquidated companies to be auctioned off in one big "fire-sale" which he claims would lead to an unnecessary collapse of property and collateral values. This would hurt the chances of foreign and domestic creditors of eventually getting their money back from Thai financial institutions.

Instead he wants to create a good bank to manage good assets for some time before disposing of them. He claims he has twice already discussed the matter with representatives of the Fund who have shown initial interest.

That Mr Tarrin has already been in contact with IMF representatives sets him apart from his six predecessors. Unlike them Mr Tarrin actually wanted the job. Also unlike his predecessors, the Thai public wanted Mr Tarrin to take the job. His previous tenure at the finance ministry, which he took over after eight successful years as the head of Siam Commercial Bank, was a time of stability in the economy.

The Stanford and Harvard educated Mr Tarrin holds strong views about the need to broaden the entire restructuring of the financial system. He is equally keen to reform Thailand's education and farm sectors. He is widely tipped to succeed Chuan Leekpai, the new prime minister, as Democrat party leader.

"It wasn't the bubble economy that got us into this situation," he claims. "Running down the reserves and pumping all that money into the finance companies was just crazy and irresponsible. The central bank allowed problems in just a few sectors to turn into a horrible crisis."

Parliamentary sources say the central bank has already lent about Bt400bn ($10.5bn) in emergency liquidity support to the remaining financial institutions (almost as much as it gave the suspended companies before shutting them down) making a mockery of claims that Thailand has indeed plugged its financial black hole.

Some Bt25bn of that new lending has gone to the *Bangkok Bank of Commerce*, the sources say, whose near collapse Mr Tarrin himself failed to check during his last stint in office and ended up costing the government more than $8bn.

"We have to recognise that even in the operating banks and finance companies there are certain weaknesses which must be immediately dealt with in order to regain the confidence of the total system," Mr Tarrin says.

If confidence in the financial system can be restored and Thai nationals can be convinced to bring their dollar holdings back into the country, Mr Tarrin doesn't see the necessity of getting more money from the IMF which many believe will be offered to Thailand during a visit by Fund managing director Michel Camdessus later this week.

Mr Tarrin still has to pass the test of implementation, which involves negotiating the political minefield of an eight-party coalition and getting the rudderless central bank to do its job properly.

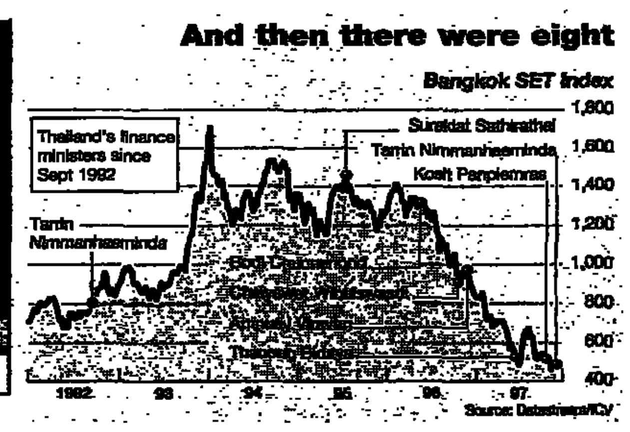
But he remains upbeat: "Frankly I don't anticipate any problems [with the eight party coalition]. At this time of economic crisis it not would make sense to have a government which still is protecting political interests."

On the central bank, he says the institution will do its job because "I will tell them to do what is needed to be done – quickly."

Ted Bardacke

Tarrin Nimmanhaeminda

And then there were eight



Yeltsin and Jiang sign $12bn gas deal

By Tony Walker and James Harding in Beijing

China and Russia yesterday signed a $12bn gas pipeline agreement and also laid to rest a long-running border dispute which brought the two countries close to war in the 1960s.

The pipeline to ship liquefied natural gas from Siberia to China's Pacific coast is easily the biggest Sino-Russian commercial deal and is aimed at strengthening limp economic ties.

President Boris Yeltsin of Russia and Jiang Zemin, his Chinese counterpart, signed a declaration in Beijing ending decades of tension over the two countries' 4,300km common frontier – the world's longest land border.

The Sino-Russian summit follows closely Mr Jiang's visit to Washington during which China and the US agreed to work towards a *"constructive strategic partnership"*. China and Russia use similar terminology to describe their relationship.

Boris Nemtsov, Russia's first deputy prime minister, and Li Lanqing, a vice-premier, signed the pipeline agreement to tranship 20bn cubic metres of gas a year to China, part of which would be available to Japan and South Korea.

Premier Li Peng is expected to discuss Japan's financial support for the pipeline during a visit to Tokyo which begins today. China wants Japan to provide substantial financing for the ambitious project in return for guaranteed gas supplies.

Mr Yeltsin was welcomed on Beijing's Tiananmen Square by a 21-gun salute and bear-hug from Mr Jiang who worked for a year in the former Soviet Union in the 1950s and speaks Russian.

China and Russia are keen to increase trade to lessen, in Beijing's case, dependence on the US and Japanese markets which account for the bulk of exports. Two-way Sino-Russian trade reached $6.84bn last year compared with China's trade with *Japan of $60bn.*

Beijing is pushing the gas pipeline deal hard because of its dependence on imported oil. Imports are expected to rise to 50m tonnes by 2000 from 22m last year.

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INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	98.6	102.1	99.9	85.0
1987	105.6	100.7	103.9	98.4	76.1
1988	109.9	103.2	106.8	100.2	71.0
1989	115.2	108.5	109.9	101.9	74.9
1990	121.5	113.9	113.5	104.9	73.2
1991	126.6	116.3	117.3	108.4	74.1
1992	130.4	117.7	120.1	108.3	74.0
1993	134.3	119.2	123.1	108.2	76.4
1994	137.8	119.9	126.5	108.0	74.3
1995	141.7	122.2	129.7	108.3	68.7
1996	145.8	125.4	133.9	108.1	73.3
4th qtr.1996	3.2	3.0	3.5	–0.5	74.3
1st qtr.1997	2.9	2.1	3.6	–0.1	77.9
2nd qtr.1997	2.3	0.4	2.9		78.1
3rd qtr.1997	2.2	–0.1	2.7		79.1
October 1996	3.0	3.1	3.3	–0.4	74.2
November	3.3	3.0	3.6	–0.9	73.8
December	3.3	2.8	3.7	–0.3	75.0
January 1997	3.0	2.5	3.0	–0.2	76.4
February	3.0	2.2	3.5	0.0	78.4
March	2.8	1.5	4.3	–0.2	79.0
April	2.5	0.8	2.8		79.3
May	2.2	0.4	3.0		77.6
June	2.3	–0.1	2.8		77.4
July	2.2	–0.2	2.5		78.3
August	2.2	–0.2	2.8		79.8
September	2.2	0.0	2.8		79.5

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	100.9	95.3	101.4	102.7	118.5
1987	101.3	92.5	103.1	100.0	122.9
1988	102.3	92.3	107.8	96.0	131.0
1989	105.1	94.2	114.0	96.8	123.5
1990	108.3	95.7	120.1	99.7	108.2
1991	111.9	96.8	124.2	103.9	113.2
1992	114.0	95.9	125.6	112.8	114.5
1993	115.4	94.3	125.8	118.8	131.9
1994	116.2	92.6	128.4	118.5	137.4
1995	115.9	92.0	132.5	115.8	138.3
1996	115.8	91.3	135.8	113.3	118.6
4th qtr.1996	0.1	–0.6	2.0	–3.4	114.0
1st qtr.1997	0.0	–0.3	5.2	–5.0	110.0
2nd qtr.1997	1.5	1.7	2.9	–4.5	114.2
3rd qtr.1997	1.7				117.5
October 1996	0.0	–0.8	2.8	–4.4	114.6
November	0.1	–0.6	2.5	–3.0	114.0
December	0.2	–0.4	1.4	–2.8	113.3
January 1997	0.0	–0.4	9.8	–6.8	111.3
February	0.1	–0.3	3.1	–2.1	109.1
March	0.0	–0.2	2.7	–6.0	109.5
April	1.2	1.8	2.6	–3.1	109.2
May	1.4	1.7	2.9	–5.1	114.4
June	1.9	1.8	3.0	–5.3	119.2
July	1.4	1.9	3.2	–2.4	119.7
August	1.6	1.7	0.5		118.6
September	2.2				114.4

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	99.9	97.5	103.6	103.8	[illegible]
1987	100.1	95.0	107.9	107.1	[illegible]
1988	101.4	96.2	112.6	106.9	[illegible]
1989	104.2	99.3	117.1	108.0	[illegible]
1990	107.0	101.0	123.5	110.3	[illegible]
1991	110.9	103.4	131.3	109.6	[illegible]
1992	116.5	104.9	138.2	115.3	[illegible]
1993	121.7	105.1	145.6	119.4	[illegible]
1994	125.1	105.7	150.8	112.1	[illegible]
1995	127.4	107.5	155.8	110.8	[illegible]
1996	129.3	107.1		109.6	[illegible]
4th qtr.1996	1.4	–0.3		–4.9	[illegible]
1st qtr.1997	1.7	0.6		–5.8	[illegible]
2nd qtr.1997	1.6	1.1		–5.3	[illegible]
3rd qtr.1997	1.9	1.4			[illegible]
October 1996	1.5	–0.3	n.a.	–3.9	[illegible]
November	1.4	–0.3	n.a.	–3.9	[illegible]
December	1.4	–0.3	n.a.	–6.8	[illegible]
January 1997	1.8	0.7	n.a.	–4.9	[illegible]
February	1.7	0.6	n.a.	–7.6	[illegible]
March	1.5	0.7	n.a.	–5.0	[illegible]
April	1.4	0.9	n.a.	–5.9	105.3
May	1.6	1.1	n.a.	–4.0	105.2
June	1.7	1.4	n.a.	–6.1	104.6
July	1.9	1.4	n.a.	–10.3	103.4
August	2.1	1.5	n.a.		103.1
September	1.9	1.4	n.a.		104.5

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	102.5	98.0	104.5	101.6	103.4
1987	105.9	98.1	107.8	103.0	104.7
1988	108.8	102.9	111.5	104.1	102.1
1989	112.6	108.2	115.8	105.2	99.7
1990	116.5	107.1	121.5	109.6	102.9
1991	120.2	105.9	127.1	113.4	100.7
1992	123.1	104.3	132.3	115.6	104.2
1993	125.6	101.6	135.6	118.1	106.6
1994	127.7	102.7	138.2		106.1
1995	130.0	109.7	141.5		108.1
1996	132.6	106.8	144.9		106.2
4th qtr.1996	1.7	–3.9	2.6		105.6
1st qtr.1997	1.5	–2.6	3.0		103.4
2nd qtr.1997	0.9	–0.8	2.7		102.6
3rd qtr.1997	1.3		2.8		100.2
October 1996	1.8	n.a.	n.a.	n.a.	106.4
November	1.6	n.a.	n.a.	n.a.	105.8
December	1.7	n.a.	n.a.	n.a.	105.0
January 1997	1.8	n.a.	n.a.	n.a.	103.2
February	1.6	n.a.	n.a.	n.a.	103.3
March	1.1	n.a.	n.a.	n.a.	103.7
April	0.9	n.a.	n.a.	n.a.	103.3
May	0.9	n.a.	n.a.	n.a.	102.7
June	1.0	n.a.	n.a.	n.a.	101.6
July	1.0	n.a.	n.a.	n.a.	99.5
August	1.5	n.a.	n.a.	n.a.	100.0
September	1.3	n.a.	n.a.	n.a.	101.0

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	106.1	99.4	104.8	102.6	101.3
1987	111.0	102.2	111.6	105.5	102.1
1988	116.5	105.7	118.4	109.7	100.8
1989	124.2	112.0	125.6	112.3	105.1
1990	131.7	116.2	134.7	118.8	111.9
1991	140.3	120.0	147.9	129.6	113.1
1992	147.7	122.3	155.9	134.5	108.5
1993	153.9	126.9	161.6	136.9	95.2
1994	160.0	131.6	167.0	138.1	93.3
1995	168.6	142.0	172.2	138.1	90.3
1996	175.0	144.7	175.3		101.9
4th qtr.1996	2.7	0.8	1.6		104.7
1st qtr.1997	2.4	0.9	3.9		104.0
2nd qtr.1997	1.6	1.2	3.8		102.0
3rd qtr.1997	1.5				101.1
October 1996	3.0	0.7	1.5	n.a.	104.7
November	2.6	0.9	1.5	n.a.	104.1
December	2.6	0.9	1.8	n.a.	105.4
January 1997	2.6	0.9	3.9	n.a.	106.0
February	2.4	0.8	3.9	n.a.	103.8
March	2.2	0.9	4.0	n.a.	102.0
April	1.7	0.8	3.9	n.a.	102.0
May	1.6	1.1	3.8	n.a.	102.2
June	1.4	1.6	3.7	n.a.	101.9
July	1.6	1.7	3.4	n.a.	101.5
August	1.5	1.7	3.4	n.a.	100.6
September	1.4	–		n.a.	101.3

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	103.4	101.4	107.7	103.9	94.3
1987	107.7	104.9	116.3	106.2	94.6
1988	113.0	108.7	126.2	108.8	101.9
1989	121.8	113.9	137.2	114.1	100.5
1990	133.3	121.0	150.1	121.6	101.4
1991	141.2	127.5	162.4	127.9	104.4
1992	146.4	131.5	173.1	126.2	100.9
1993	148.7	136.7	180.9	127.6	93.1
1994	152.4	140.1	189.5	127.1	94.1
1995	157.6	146.0	198.0	131.7	90.7
1996	161.5	149.8	208.8	138.8	93.6
4th qtr.1996	2.6	2.0	4.6	4.7	99.5
1st qtr.1997	2.7	1.2	4.4	3.3	105.6
2nd qtr.1997	2.7	1.0	4.2	2.9	108.3
3rd qtr.1997	3.5	1.3			111.9
October 1996	2.7	2.3	4.0	4.9	98.0
November	2.7	2.1	4.7	5.2	100.1
December	2.5	1.6	5.1	4.0	102.4
January 1997	2.8	1.5	4.2	3.8	104.8
February	2.7	1.2	4.8	3.2	106.1
March	2.6	1.0	4.3	3.0	106.0
April	2.4	0.8	4.0	1.8	106.0
May	2.6	1.0	4.3	3.7	107.6
June	2.9	1.1	4.4	3.3	109.2
July	3.4	1.3	4.0	2.2	114.1
August	3.5	1.4	4.5		111.8
September	3.6	1.3			109.5

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

US presses UN for tougher sanctions as Saddam remains defiant on U-2 inspection flights

Annan seeks room for manoeuvre on Baghdad

By Laura Silber and Michael Littlejohns in New York

The US yesterday called for tougher sanctions against Iraq while senior UN officials held out hope that Baghdad would reverse its decision to ban American inspectors from UN weapons teams.

After meeting Tariq Aziz, Iraq's deputy prime minister, yesterday at the UN, Kofi Annan, the UN secretary-general said: "He did not give me the answer that I had hoped for ... but I hope that all is not lost and that there could be some room for manoeuvre and that down the line in the next days or so we could have the right decision."

The Iraqi move to bar US inspectors has meant the longest suspension of the UN mission to monitor and dismantle Iraq's weapons of mass destruction since the programme was set up at the end of the 1991 Gulf war.

Bill Richardson, US ambassador to the UN, yesterday made it clear that Washington was seeking a strong UN response. "We want to see a resolution with teeth, with punitive measures ... to stop playing games, to start behaving like a normal nation. We are not ruling out any options, including a military option," he said in an interview with Cable News Network.

Diplomats, however, believe American calls for tough UN measures are unlikely to be met. Measures the Security Council was likely to consider last night included a travel ban on senior Iraqi military and intelligence officials obstructing the UN mission. This was rejected two weeks ago when China, France, Russia, Egypt and Kenya, members of the 15-nation Council, abstained from the vote.

The Council could also suspend reviews of sanctions indefinitely. Sanctions, imposed after Iraq invaded Kuwait in August 1990, were reviewed every two months, but under the resolution of October 29 they are now due to be reviewed in April.

Diplomats said the Council may move to declare Iraq in "material breach" of UN resolutions which could open the way for possible military reprisal.

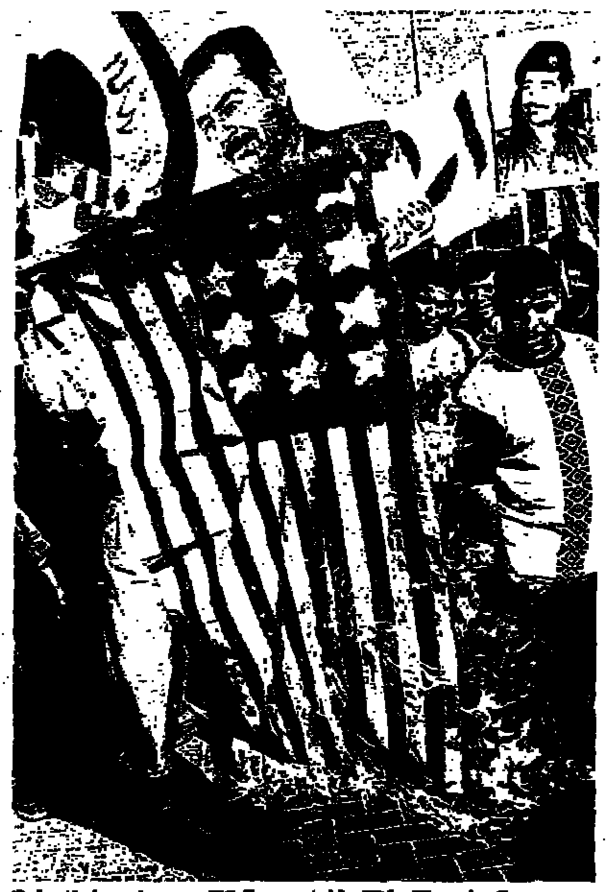
Iraq yesterday undermined UN attempts to defuse the conflict by saying that it no longer considered US-manned U-2 flights to be part of the UN inspection programme. In a letter to Mr Annan, Mohammed Said al-Sahhaf, Iraq's foreign minister, said an American spy plane "escorted by several formations of American aircraft" had "violated Iraq's skies". The U-2 aircraft flew safely over Iraq on yesterday ignoring warnings that it would be shot down.

Emilio Cardenas of Argentina, a member of the failed UN weekend mission to Baghdad, yesterday dismissed Iraqi charges that U-2 flights violated Iraq's sovereignty.

Diplomats yesterday were questioning whether Mr Annan had been wise to dispatch senior UN envoys to Baghdad: on Sunday they returned to New York empty-handed after being snubbed by President Saddam Hussein.

Neither the US nor the UK holds out much hope that Iraq will budge, but Russia and France, which oppose further military action, and China, traditionally cool to sanctions, still saw room for a change of heart.

Advantage Saddam, Page 14
Oil market, Page 28



Palestinians burn a US flag outside UN offices in Gaza yesterday in protest against US threats against Iraq

China and Russia tell Iraq to climb down

By Tony Walker in Beijing and agencies

China and Russia yesterday jointly demanded that Iraq allow free access for United Nations inspectors searching for weapons of mass destruction. The declaration is a sign of deepening concern in Moscow and Beijing about the risk of conflict.

China's official Xinhua newsagency reported that Qian Qichen, foreign minister, and Yevgeny Primakov, his Russian counterpart, "demanded that Iraq immediately resume co-operation with the UN and implement all UN Security Council resolutions".

However, the foreign ministers, meeting in Beijing, also cautioned against a further escalation of tensions, urging the parties to adopt restraint.

Russia and China have appeared equivocal on the need to exert pressure on Iraq and this had threatened a Security Council consensus aimed at forcing Baghdad to co-operate with UN weapons inspectors.

In Moscow, the foreign ministry said Russia, at a UN Security Council meeting due in New York yesterday would "firmly seek the removal of curbs imposed by Baghdad on the activity of the UN special commission".

The statement, quoted by Interfax news agency, said Iraq's restrictions on the arms inspectors contravened the resolutions of the Security Council, of which Russia is a permanent member.

"At the same time, Russia will resolutely reject attempts to use the tensions that have arisen to justify any forcible actions against Baghdad with the authority of the Security Council," the statement added. The Iraqi government newspaper al-Jumbouriya urged Russia, France and China to intervene and suspend U-2 flights until after the Security Council meeting.

Moscow enjoyed close relations with Iraq during the Soviet era and Mr Primakov, an Arabic speaker, has sought to improve Russia's ties in the Middle East.

In yesterday's statement, the foreign ministry said the international humanitarian operations in Iraq should continue. "Iraq must see light at the end of the tunnel," it said.

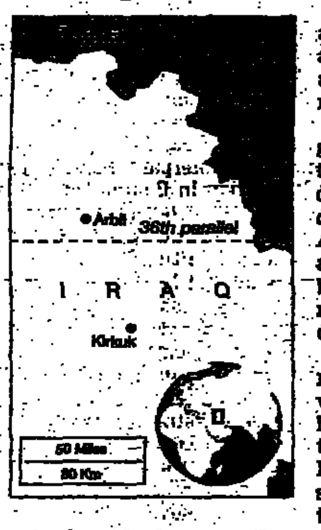
Turkish forces help Kurdish faction regain upper hand

By Roula Khalaf in London

The Kurdish Democratic party (KDP), an Iraqi Kurdish faction fighting for control of northern Iraq, said yesterday it had regained most of the territory lost last month to the rival Patriotic Union of Kurdistan (PUK).

But the PUK warned that KDP offensives, which it said were supported by Turkish air and artillery fire, may force it to seek help from other states in the region.

The PUK, which broke a year-long US-brokered ceasefire last month, enjoys good relations with Iran and officials said yesterday they might be forced to seek help from Tehran. There are no indications that Iran helped them so far, but Tehran has urged Turkey to withdraw its troops from northern Iraq.



Turkey denies targeting the PUK, and says it has been engaged in an offensive against Turkish Kurd separatists, whom it claims are working with the PUK. Ankara said yesterday it had achieved its objectives against the rebels and its army was withdrawing from northern Iraq.

The Iraqi National Congress, an umbrella opposition group, claimed yesterday that Iraqi troops deployed to the south of Arbil, the Kurdish north's administrative capital, had been placed on alert. The report could not be independently confirmed.

Iraq lost control of the north after the Gulf war, when the Kurdish "safe haven" was set up by allies to prevent it assaulting the Kurds. The US, which sponsored a ceasefire between the Kurdish factions last year, fears any destabilisation in the north could lead to Iraqi and Iranian involvement. "The situation in the north is not stabilising and we have warned both sides to accept a ceasefire and renewed negotiations," said a US official. "The consequences for both sides in inviting outside intervention would be disastrous."

Last year, the US launched missile attacks against Iraq's southern air defence systems after Iraqi President Saddam Hussein sent troops to help the KDP recapture Arbil. Since then, the KDP has controlled most of the territory. But year-long talks between the KDP and the PUK, under US and UK auspices, broke down in October, leading the PUK to launch an offensive to retake territory it had lost last year. After making early gains, the PUK said it found itself under attack from both the KDP and the Turkish military. "The Turks have flown over 200 sorties using F-16s," said Mr Rashid. "The areas they are bombing have no Turkish separatist rebels."

Foreign buying hits high point

By Jane Martinson, Investment Correspondent

Foreign buying of US shares hit a three-year high last week as fund managers around the world became increasingly pessimistic about their domestic economies according to a survey published yesterday.

The poll of 268 institutional investors, managing a total of £3,391bn, found that continental European and Japanese buyers of US shares outnumbered sellers by more than 20 per cent. There were also more UK buyers than sellers of US shares for the first time in three years.

At the same time US company directors and fund managers appeared to be fighting shy of the same shares, with a record number of the latter buying US bonds instead.

Fears about a downturn also made US managers net sellers of Latin American shares for the first time since the Mexican peso crisis more than two years ago.

Bijal Shah, global strategist at Merrill Lynch, which conducted the survey with Gallup, said overseas investors appearing to buy from US directors could herald earnings disappointments in the next quarter. He blamed fears that the recent turmoil in Asian markets would spread for a downturn in optimism about domestic economies.

For example, only 8 per cent of US-based fund managers expect their economy to be stronger in a year's time, compared with 29 per cent last month.

Fund managers in the Asia Pacific region and South Africa were the least optimistic about global economic activity.

The views of overseas investors on the Pacific Rim were more mixed, with UK managers continuing to be much more bullish than those in Japan and the US.

The overall picture suggested more interest in equity buying around the world as fund managers hope to "buy on the dip" of recent market declines.

The Hong Kong dollar's peg to the US dollar was given a fillip: only 14 per cent of respondents believed that the HK dollar would float before the end of 1998.

However, 90 per cent of those managers believed that if the peg were to be removed the HK dollar would be devalued.

In their debut to the survey, 60 per cent of South African fund managers considered "global markets" the greatest threat to local asset prices. None of the 27 local institutions believed the identity of Nelson Mandela's successor was a threat to financial assets.

NEWS DIGEST

Vatican signs Israel accord

The Vatican yesterday moved a step closer to legalising its status in Israel after signing an agreement recognising the legal status of Catholic church officials in Israel. The agreement, signed by David Levy, Israeli foreign minister, and Monsignor Andreas di Montezemolo, the Apostolic Nuncio, embraces more than 150 personnel attached to patriarchates, dioceses, monasteries, religious congregations and religious institutions, including educational and social ones.

It follows the establishment of diplomatic relations between the Vatican and Israel in 1994 and may help pave the way for a visit by the Pope in 2000. More than 70,000 Catholics live in Israel and the West Bank but yesterday's agreement does not specifically spell out the status of Catholics in the West Bank, referring instead to those areas under Israeli civil law. *Judy Dempsey, Jerusalem*

■ ALGERIAN VIOLENCE

Terrorists resume killings

Algeria returned to violence at the weekend after a brief respite last month when local elections were held. More than 25 people were massacred on Saturday night near Blida, south of Algiers, according to local press reports. The massacre, and an earlier one near Tlemcen in the west, brought the total of weekend massacre victims to 48. Several bombs also exploded in Algiers in the past two days, killing three and wounding 30.

The resumption in violence comes amid increased tensions between legal opposition parties and the army-backed government. The parties have accused the government of massive fraud in the October 23 elections and have called a general strike tomorrow. The government has cracked down on opposition parties' attempts to hold demonstrations and sit-ins, banning one planned for today. *Roula Khalaf, London*

■ ELECTRONIC PURSE

Mondex launched in HK

One of the world's most advanced electronic cash systems is being launched in Hong Kong. Mondex International, 51 per cent owned by MasterCard International, says 5,000 retailers in the territory have agreed to accept Mondex cards for payments. The cards are issued by Hong Kong's two leading banks, HongkongBank and Hang Seng Bank.

Mondex is a leading developer of electronic purses – plastic cards with memory chips which can be "loaded" with cash and used for small purchases such as newspapers or bus tickets. Trials with Mondex cards are taking place in several countries, including the UK, US, Canada and Australia. *Christopher Brown-Humes, London*

Hopes rise for pact on greenhouse gas cuts

By Bethan Hutton in Tokyo

The approaching deadline of the Kyoto conference on climate change seems to be concentrating the minds of government negotiators.

Environment ministers from the EU, participating as one unit, and 20 other countries met in Tokyo at the weekend in an attempt to break the deadlock over targets for reducing greenhouse gas emissions.

The developed countries are due to reach a binding agreement on reduction plans at a UN-sponsored conference on climate change in Kyoto from December 1 to 10.

On paper, the deadlock remains. But discussions at the weekend sent out encouraging signs of increasing willingness to compromise on the part of the main participants.

Their starting points had seemed impossibly far apart. Last month, Japan proposed a base rate for reduction targets of 5 per cent, while the US advocated stabilisation at

1990 levels. The EU is proposing an average 15 per cent cut from 1990 levels, although targets for EU member states vary from 30 per cent cuts to 40 per cent increases.

Apart from numerical targets, wide differences exist on other basic issues such as which gases should be included in the agreement, whether developing nations should also commit themselves to lower emissions, and whether trading of emissions quotas should be allowed, and if so, how.

Irreconcilable as the positions may seem, negotiators emerging from the Tokyo sessions claim to be able to see the first inklings of what may form the final compromise.

"The differences do not yawn as dramatically as they did before," said Timothy Wirth, US under-secretary of state for global affairs. "We can get from here to there."

The meetings offered the first chance for the various positions to be discussed and clarified, as an initial step towards finding a compromise solution, Japanese officials said.

John Prescott, the UK's deputy prime minister who chaired the meeting on Saturday, said negotiations were beginning to move "in a small way, but certainly in the right direction.

"The time of absolutism and demanding positions has gone from this conference. We are now all seriously looking at what might constitute agreement," Mr Prescott said.

Reports in the Japanese press over the weekend seemed to suggest the US had backed down on its demand for participation by developing nations as a prerequisite for US agreement. US officials later denied those reports, but the US position seemed to be softening slightly.

Mr Wirth said yesterday the US saw establishing a global emissions trading system as a way to draw in developing countries by appealing to their self-interest. He pointed to Brazil's proposal – apparently backed by the G77 group of developing countries and China, for a "green bank" to create a market for emissions quotas – as a positive sign.

EU delegates also hinted at willingness to compromise. Jorgen Henningsen, the European Commission's director for environment quality and natural resources, said yesterday he accepted it would be unrealistic to expect a compromise based on the EU's demand for a 15 per cent reduction target.

Until this weekend, the odds on agreement being reached at Kyoto did not seem high. One Japanese official recently compared the climate change negotiations, which have so far taken less than three years, to the Uruguay round of Gatt, which took seven.

Mr Wirth drew comparisons with the US clean air Act, which took two decades. But with less than a month before the final protocol at Kyoto is due to be signed, all the key participants now seem surprisingly optimistic about the chances of that happening.

Swiss banks on funds offensive

By John Authers in New York

The Swiss Bankers Association yesterday published in the New York Times its latest list of holders of dormant accounts, and announced plans to publish it in other papers. The move was part of its attempts to bring US public opinion on to its side over the issue of Holocaust victims' accounts.

The move follows strong criticism from Jewish community groups in the US and the UK over the banks' decision initially not to publish printed versions of the list, but to rely on offering a site on the world wide web which could be searched. Jewish groups were also sent copies of the list.

Several US state and municipal governments, including California and New York City, have recently decided to withdraw from giving Swiss banks new business, increasing pressure on the association.

Most of the authorities have made clear they are not operating a blanket ban, but are operating on a case by case basis.

Next month, a New York conference of public financial officials will try to hammer out a co-ordinated policy, hearing speeches from Edgar Bronfman, chairman of the World Jewish Congress, and Stuart Eizenstat, US under-secretary of state, who opposes boycotts of the banks.

The association said its decision to publish the lists was a response to requests from interested parties. Yesterday's international edition of Neue Zuercher Zeitung also carried the list, which includes 3,687 dormant accounts; the bankers will advertise in Yedioth Ahronoth, an Israeli publication, later this week.

The wider publication of the lists forms part of an escalating campaign to win over public opinion in the US. Last week, the association claimed a key convert, when it won support from the Anti-Defamation League, a leading campaigning group against anti-semitism.

Abraham Foxman, the league' national director in the US, last week wrote to Matt Fong, California's state treasurer, who has imposed a moratorium on direct investment with Swiss banks, saying: "At this time, we believe such initiatives are unnecessary and might prove to be detrimental".

But he added: "Currently, there are hopeful signs that the Swiss government and banking community are demonstrating a commitment to co-operate and resolve these issues. We must continue to be vigilant in monitoring the situation, and at the same time encourage this movement by engaging the Swiss".

Higher disposable income, low fuel prices and deregulated fares help explain increase

Long-distance travel in US 'has doubled'

By Nicholas Timmins in Washington

Long-distance travel in the US has more than doubled over the past 20 years, the first comprehensive government-sponsored study of the issue in almost two decades shows.

The increase, much faster than predicted at the time of the last survey in 1977, has implications for infrastructure investment and greenhouse gas emissions, transportation department statisticians said.

Asked if a similar future rate of increase was compatible with lowering greenhouse gas emissions, T.R. Lakshmanan, director of the Bureau of Transportation Statistics, said: "I don't think so. We have tended to look at greenhouse gases as a metropolitan problem, but much of the increase is coming from long-distance travel.

"Twenty years ago, not many people went to foreign destinations. Now many people go abroad.

"It accounts for only 4 per cent of the trips, but it is a lot of miles."

The study examined journeys of more than 100 miles in 1995 to find the total number of miles travelled long distance had more than doubled, up 116 per cent to 827bn.

In the same period, the population grew 20 per cent and the number of households by 33 per cent. Disposable income rose by the same proportion.

The average American made more long-distance journeys – four a year in 1995 against 2.4 a year in 1977 – and travelled farther, almost 3,150 miles on average, an increase of 81 per cent.

The rise in disposable income, low fuel prices and deregulated air fares helped explain the increase, transportation bureau statisticians suggested, together with greater job mobility producing more widely dispersed families.

Just over one-fifth of trips were described as business, most being made for personal reasons.

The biggest increase in travel came among middle-income groups, rather than those earning less than \$25,000 or more than \$50,000.

More bus and train journeys, usually seen as less polluting than by car, were made.

But their increase of 37 per cent and 22 per cent respectively was dwarfed by an 80 per cent rise in car travel and 123 per cent jump in air travel. Buses and trains were mostly used by low-income, elderly and ethnic minority travellers.

The sharp rise in car travel, linked to increases in road freight, has implications for America's strained road and bridge infrastructure, Rodney Slater, transportation secretary, said.

He expressed concern about greenhouse gas emissions, with the US accounting for 23 per cent of world total despite having only 4 per cent of the population.

Within transport, cars and light vehicles account for 53 per cent of emissions, heavy lorries 20 per cent, and aviation 10 per cent.

Brazil's radical fiscal package welcomed

The R\$20bn (US\$18bn) fiscal package announced by the Brazilian government yesterday was welcomed as a bold effort to boost the credibility of the country's economic policy but has not freed Brazil from the emerging markets financial crisis.

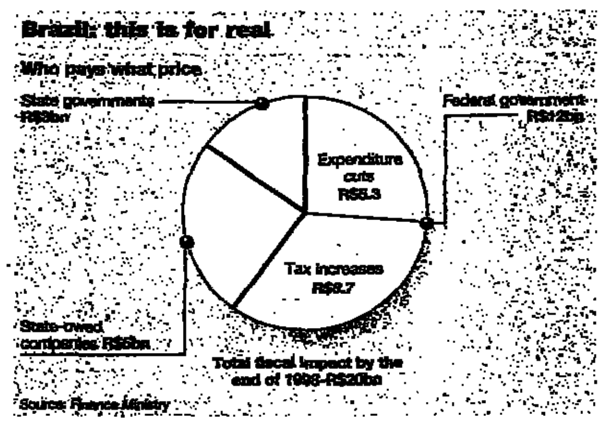
The list of 50 fiscal measures, which officials outlined yesterday, was considerably larger than economists had been expecting and emphasised the government's determination to defend to the hilt its three-year old economic stabilisation plan.

Economists said the package was tougher and more convincing than had been forecast because it contained R\$6.7bn of tax increases.

Brazilians will now pay 10 per cent more income tax, petrol prices will rise 5 per cent and the airport departure tax has risen to a hefty R\$90.

The government could not rely on spending cuts given that so much of its budget is constitutionally ring-fenced and sensitive areas such ashealth and education were excluded. The R\$5.3bn cuts it plans to make from next year's federal budget include laying off 33,000 federal workers and abolishing 70,000 unfilled jobs. Public sector salaries are to be held constant and only one third of retiring federal employees will be replaced.

The package also contained measures to encourage increased exports, thus reducing the current account deficit. Antonio Kandir, planning minister, said that the National Development Bank (BNDES) would provide increased credit to small and medium sized companies and to companies which supply exporters, to increase competitiveness.



The package will face few immediate political problems as the bulk of the 50 measures are expected to be introduced by executive decrees.

In theory, these decrees need to be approved by Congress after 60 days. However analysts said that although some parts of the package might be rejected, the main points were likely to pass after leaders of the PMDB, the most volatile of the political parties in the government coalition, said they would vote in favour.

Members of President Fernando Henrique Cardoso's PSDB said last week that they were against tax increases, however in the present volatile economic climate they are not expected to oppose the government.

The more difficult challenge for the government could come in the courts. Analysts said it was likely that opponents of some of the measures, for instance the planned redundancies and changes to pension and social security payments, would try to have them declared illegal.

The measures helped restore some stability to financial markets, with Brazilian shares rising more than 4 per cent on the news, before falling off to just over 1 per cent by mid-afternoon.

Markets in the rest of the region, which have suffered from fears of a devaluation in Brazil, also benefited in early trading though some lost ground later.

However economists warned that the crisis, was not over. To continue to reassure markets, the government needs also to secure approval of several pieces of legislation aimed at reducing the fiscal deficit, especially constitutional reforms to pensions and the civil service. The lower house is due to vote on the civil service bill on November 19.

Others warned that having changed monetary and fiscal policy over the last fortnight, the government had played most of its available cards. "It would be difficult for the government to do anything more to defend the plan," said Dany Rappaport, chief economist at Banco Santander in São Paulo. The only option it has left was to arrange emergency financing from the International Monetary Fund, he said.

Geoff Dyer

NEWS DIGEST

Argentine bank sale row erupts

Argentina's President Carlos Menem has unleashed a fierce debate, with a plan to privatise the Banco de la Nación Argentina, the country's biggest financial entity. The plan, unveiled on Friday, drew opposition attacks and has sown confusion in Mr Menem's Peronist party.

Banco Nación, with net capital of almost \$2bn, lends chiefly to small and medium-sized businesses and the agricultural sector at rates below those available from the private sector. Graciela Fernández Meijide, a leader of the opposition Alliance and one of the key victors in the October 26 mid-term elections, said the plan "would leave Argentina without a national bank". It would especially hit smaller businesses "and people who have less".

Roque Maccarone, Banco Nación president, has estimated the sale could take a year and raise up to \$4bn. A Banco Nación official said no firm plans existed yet on how the sale would be organised.

Banco Nación confirmed it had resolved a dispute with IBM Argentina over a \$249m contract to computerise the bank's branch network. *Ken Warn, Buenos Aires*

■ WOODWARD TRIAL

Judge reduces verdict

A Massachusetts judge yesterday reduced a jury's second-degree murder verdict against British au pair Louise Woodward (left, pictured earlier) to manslaughter. In a written decision, Middlesex Superior Court Judge Hiller Zobel ordered the verdict reduced to involuntary manslaughter, saying he was "guided by my reason, my conscience".

"After intensive cool, calm reflection, I am morally certain that allowing this defendant on this evidence to remain convicted of second-degree murder would be a miscarriage of justice," Mr Zobel wrote in his decision.

Woodward was convicted by a jury on October 30 of the second-degree murder of 8-month-old Matthew Eappen and was given a mandatory sentence of life in prison. The charge of involuntary manslaughter carries a maximum penalty of 20 years in prison, but there is no minimum sentence. *Reuters, Cambridge, Massachusetts*

■ US MILITARY

Cohen targets 28,000 jobs

William Cohen, US defence secretary, yesterday announced a drastic plan to cut 28,000 jobs from the US military's civilian bureaucracy and make business reforms to save \$3.2bn a year for arms modernisation. He also called on Congress to approve two new rounds of politically explosive domestic base closings in 2001 and 2005 to save another \$2.8bn a year for new weaponry. Congress rejected such a request earlier this year.

"Quite simply, there isn't any alternative," Mr Cohen said at a Pentagon press conference with Al Gore, vice-president. "We are going to bring the Pentagon into the 21st century." *Reuters, Washington*

■ CANADIAN LABOUR

Postal workers' strike threat

Canada's 45,000 postal workers are threatening to walk off the job on Thursday over a wage and job security dispute, despite a warning from Canada's labour minister that the union would not be in a legal position to strike until Monday. Canada Post is trying to cut C\$200m (US\$143m) in costs, but argues it will not lay off workers. The union believes that up to 4,000 workers would lose job security under the corporation's proposal.

■ Almost all Ontario's 126,000 teachers returned to school yesterday, vowing to continue their protest against proposed spending cuts and educational reforms that they claim would put too much power in the hands of the provincial government. *Scott Morrison, Vancouver*

Region's strengths stressed by Bank

By Raymond Colitt in Margarita Island, Venezuela

Amid continued turbulence in Latin America's securities and foreign exchange markets, World Bank officials have highlighted the region's strong economic fundamentals.

"The region is much better equipped than a few years ago to avoid crises and to withstand any shocks," said Caio Koch-Weser, managing operations director with the bank. "Macroeconomic balances are under control," added Andres Solimano, director of the bank's Latin America country management unit.

The two officials stressed that inflation in much of the region was in the single-digit range. They pointed to a stronger financial sector and a deepening of structural reforms. Their comments come amid investor nervousness over continued instability in the region's security markets.

Brazil has spent more than \$11bn in foreign exchange markets to defend the real after two weeks of

> Most Latin American countries would meet the Maastricht criteria

security market turmoil that wiped out nearly half this year's gains. Investors fear that instability in Brazil, the region's largest economy, could cause ripple effects similar to the Tequila effect after the 1994 Mexican currency crisis.

"Most Latin American countries would meet the Maastricht criteria of the European Union, which means a fiscal deficit of no more than 3 per cent of GDP," said Mr Koch-Weser. No country in the region had a current account deficit of the Mexico's 7 per cent of GDP just before the 1994 crisis, or Thailand's 8 per cent of GDP this year.

One of the lessons from East Asia, he said, was that governments have to act with a sense of urgency, in keeping their macroeconomic fundamentals right.

Mr Koch-Weser said several issues remained for the region's countries to tackle. Measures were required to strengthen fiscal consolidation, financial markets, as well as the regulatory framework for private investment, he said.

Blair chides anti-EU 'little Englanders'

By John Kampfner, Chief Political Correspondent

A more positive approach to the European Union will increase the UK's influence in the US and other parts of the world, Tony Blair, the prime minister, said last night.

In his first big foreign policy speech, the premier said that in recent decades Britain had withdrawn into itself, but that was now changing.

But although he spoke of a "new optimism, confidence and self-assurance", Mr Blair laid less of an emphasis on the more "ethical" approach set out by Robin Cook, the foreign secretary.

In his speech at the Lord Mayor's banquet in the City of London, Mr Blair listed what he called five "guiding light principles" for a modern British foreign policy:

- A strong European policy, ending "the isolation of the last 20 years".
- A stronger transatlantic alliance that would result from more constructive engagement between the UK and EU.
- Strong defence, in which any defence cuts would not be allowed to reduce Britain's defence capacity.
- Free trade, with Britain at the forefront of moves against protectionism.
- "Transnational issues", such as the environment, illegal drugs, terrorism, crime, human rights and international development.

In a late insertion to his speech, Mr Blair said: "Human rights may sometimes seem an abstraction in the comfort of the West, but when they are ignored, human misery and political instability all too easily follow. The same is true if we ignore the ethical dimension of the trade in arms."

Without mentioning the opposition Conservative party and its more hostile approach to the EU, Mr Blair said: "Of course, if Europe embarks on a path that is wrong or repugnant to British interests, we would have to stay apart. But subject to that, there is no place for misguided little Englander sentiment."

Britain, he said, must play its full part in leading Europe. Mr Blair said Britain would use its presidency of the European Union next year to help make a single currency work. "A successful single currency would be good for the EU," Mr Blair said. "Our own position will be judged on a hard-headed assessment of the economic benefits. They must be clear and unambiguous. But it will affect us in or out. And influence, not impotence, must be our objective in shaping how it works.

"We cannot in these post-Empire days be a superpower in the military sense, but we can make the British presence in the world felt," Mr Blair said.

Chancellor prepares for early use of euro

By Stefan Wagstyl and David Wighton

Colin Beere

Gordon Brown (left) with Sir Colin Marshall, CBI president, at the conference yesterday

Gordon Brown, the chancellor of the exchequer, yesterday announced plans which might allow companies to file company accounts, issue shares and pay taxes in euros, as part of his campaign to promote UK entry into European monetary union.

Speaking at the annual conference of the Confederation of British Industry, Mr Brown pledged to work with business in preparing for possible UK adoption of the single European currency. His speech was welcomed by CBI officials and by most members supporting British entry.

"Together (with business) we will draw up an agenda for preparations, as we did for decimalisation, which sets out all the practical steps government and business will need to take before a final decision to join the single currency," Mr Brown said.

The government was criticised for delaying entry by Niall FitzGerald, chairman of Unilever. "Unfortunately, the decision to rule out British membership for the rest of this Parliament seemed to be driven more by political – even media considerations – than by economic ones, and it carries some real dangers," he said. A minority opposed to UK participation voiced concerns about the dangers of taking such a big "leap in the dark". Sir Stanley Kalms, the Dixons chairman, said it would bring Britain economic and political "castration."

Mr William Hague, the opposition Conservative party leader, received a warm reception despite comparing supporters of early Emu entry with lemmings. Mr Hague said that a single currency would impose an over-rigid economic framework on the economy. "British business could find itself trapped in a burning building with no exits," he said.

He poured scorn on the view that the UK had to join because others were. "It is the argument used by every lemming throughout the centuries and does not bear close scrutiny." CBI officials declined to criticise Mr Hague, to avoid turning their arguments with the Conservatives over Emu into a full-blown political row. They are sensitive to charges from members – most of whom are Conservative – that they are getting too close to the governing Labour party. Adair Turner, director-general of the CBI, said Mr Hague made a "sensible speech" with "a clear statement of the arguments against the euro".

Mr Brown said the department of trade and industry would consult business on amending the Companies Act to make it easier for companies to issue shares in euro and to convert existing stock into euros.

From 1999, companies would also be able to file accounts to Companies House in euros, have bank accounts in euros and pay taxes in euros. The British banking system would have the capacity to process payments in euros domestically.

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Industry leaders clash over likely impact of Emu

By Stefan Wagstyl in Birmingham

For Sir Stanley Kalms, the chairman of the Dixons group of electrical goods stores, going into European monetary union would be the equivalent of "economic and political castration".

For Niall FitzGerald, chairman of Unilever, staying out would do "terrible damage to British interests and influence". Emu has aroused passions at the Confederation of British Industry as nothing has since militant trade unionism a decade ago.

CBI leaders, generally so polite in their public debates, took off their gloves after Sir Stanley condemned the pro-Emu "CBI hierarchy" as "unrepresentive". He added: "On this subject the CBI has not earned the right to speak for British business. We are not one."

Sir Colin Marshall, the CBI president, hit back by citing CBI polls showing pro-Emu opinion among business people running at 72 per cent.

He said: "I object to purposely distorted argument that claims the CBI is not truly representive of British business as a whole."

The Emu debate opened with a speech from Wim Duisenberg, president of the European Monetary Institute, carefully spelling out preparations for monetary union. He warned the UK that it must get ready for eventual entry by maintaining stable exchange rates for at least two years.

Mr FitzGerald gave an impassioned plea for the UK not to miss out on monetary union as it had on the formation of the European Union's forerunner in 1957.

Sir Stanley replied with a warning of the dangers of "betting the company" on Emu entry. The single currency was "a huge stride towards a federal superstate," it would bring "increased regulation which would impose further crippling burdens on business" and, given the uncertainties about economic criteria, it was the ultimate "leap in the dark". British business should "resist the pressure to join the federalist bandwagon".

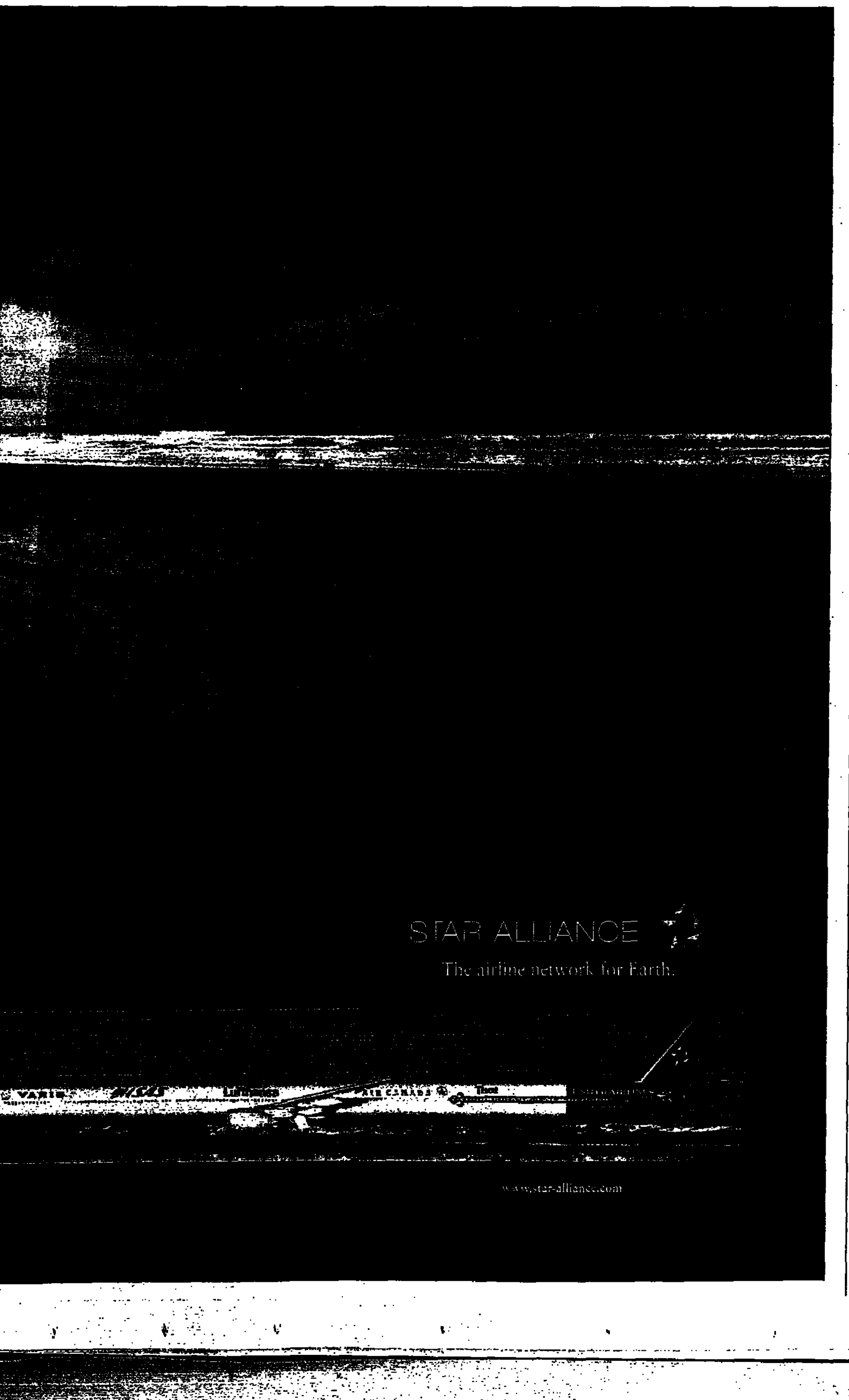
Martin Taylor, chief executive of Barclays Bank, tried to tread a careful path between the two extremes. He declared: "I am not a Eurosceptic. I have been a Europhile all my life, but I am an Emusceptic. It's a splendid project. It just happens it's got fundamental flaws at the moment."

Mr Taylor argued that, once currencies were fixed, the entire burden of economic adjustment would fall on labour markets. Wages might have to be cut and unemployment might rise from current "scandalous levels".

The UK should lobby for faster structural reforms and increases in the European Commission budget to allow for more subsidies to high unemployment regions. "Anyone who thinks Emu will work without large increases in the European Commission's budget is fooling himself." Well aware of how wary business is of increasing taxes, Mr Taylor added that Emu would need a federal tax system. "It won't work without one."

Mr Bernd Pischetsrieder, chairman of BMW, the German carmaker, declared that the issue at the heart of the Emu debate was Europe's role in the next millennium . He confessed that, in Germany as in the UK, public opinion would be against Emu, if it were given the choice.

But he argued that some issues should not be left to a referendum. "You can't have a public vote on whether taxes should be raised or dropped. You can't have a public opinion poll on whether monetary union is good or bad."



People power fuels a turbine changeover

Siemens puts emphasis on skilled staff at its $50m acquisition

Many employees of Parsons, the steam turbine maker, expected dramatic change when Siemens, the German industrial group, acquired most of the loss-making business from Rolls-Royce for £30m ($49.8m) in June. Instead, the revolution under way at one of Britain's most historic surviving heavy industrial workplaces – in Newcastle-upon-Tyne, north-east England – has been relatively quiet.

Horst Münstermann, who moved from Siemens' Mülheim power generation plant to become managing director of Siemens Power Generation, expects Siemens to invest about £2m a year at Parsons in the first few years, and £1m a year afterwards. But this, he suggests, may disappoint the 880 Parsons employees who transferred to Siemens.

"They expected more. They thought, when Siemens is coming, they will come with lots of money."

Instead, Siemens is initially focusing heavily on human issues and on adjusting Parsons' role. The new approach was evident at a post-acquisition briefing by senior directors for all employees on every aspect of the power generation business.

"Some people said they learned more in two hours about the potential for the future than they learned in six years under Rolls-Royce," says one employee.

Mr Münstermann favours openness, and on the factory floor there is approval that he began his career as a fitter. "Everybody's pleased. You know you're talking to a man who knows what he's talking about," says 56-year old Bill Blevins, himself a fitter. "He's very approachable. Rolls-Royce management, they were very remote."

Trade union convener Barney McGill, a veteran of successive management styles during 31 years at Parsons, says Siemens' creation of a consultative forum has "100 per cent" union support. Similar past initiatives lapsed when industrial relations problems or company difficulties arose.

Horst Münstermann: "less remote than R-R managers"

Not all the changes since the acquisition have taken place unobtrusively. In some production areas, such as the heavy machine shop, they have been rapid.

Siemens' application of production process efficiency measures previously implemented at Mülheim has already narrowed the productivity gap in rotor machining between Germany and the Parsons factory from 30 per cent to 10 per cent. With modest expenditure on tooling, Newcastle will achieve the extra 10 per cent, says Mr Münstermann.

There is a new emphasis on quality. Improving standards does not mean blaming the workforce, he says, but stressing to them the cost to the customer if work has to be corrected after delivery.

While such changes paint a less than flattering picture of Parsons before Siemens, the workforce's competence and knowledge was one of the site's attractions. Consequently, Siemens is giving the site total responsibility for design and project management of its combined cycle K turbine, one of its newest products.

Buying Parsons meant work could stay in-house; as one of the world's big four power generation companies, Siemens had so much work that it was having to use many subcontractors. "Part of the idea is to have one competent manufacturer you can rely on," says Mr Münstermann.

The Parsons site will no longer seek complete power station orders. Its primary role now is the more lucrative "aftermarket" where it operates under the Siemens Power Generation name.

As well as servicing Parsons-made units worldwide – a declining market – it has responsibility for all servicing of Siemens-built UK power stations.

Siemens also hopes to capitalise on Parsons' development of upgrades of other manufacturers' equipment, for which key markets are the US and China. Some manufacturing work is also being transferred from Mülheim.

When Siemens acquired Parsons, it said the site's future depended on its competitiveness. In Siemens' current financial year, which began on October 1, the site is required to return a profit on an expected £60m turnover.

"We are still working on the profit side," says Mr Münsterman.

Chris Tighe

Deal close on recognition of unions in workplaces

Union leaders are expected tomorrow to endorse a draft outline of an agreement on union recognition between the Trades Union Congress and the Confederation of British Industry, our Employment Editor writes.

It is hoped a final version of the document will be presented to the Department of Trade and Industry by the end of the month in readiness for the government's proposed paper on fairness at work early next year.

The TUC wants unions to have the legal right to secure recognition from an employer for negotiating wages and benefits where a majority of workers vote for this in a secret ballot.

The two sides of industry were asked by Tony Blair, the prime minister, to see if they could narrow their differences on recognition.

The issue remains controversial. Many employers oppose the proposal, seeing it as an attempt by trade unions to restore some of the power they have lost in the past 15 years. However, it is understood the TUC and the CBI have found common ground on some of the detailed procedures required for any credible recognition proposal.

They have agreed that once a ballot has been held where employees reject recognition, a three-year interval must occur before a further ballot. The TUC has also accepted that employers should have the right to hold union derecognition ballots in their workplaces.

NEWS: UK

Labour party returns cash donation

By Liam Halligan, Political Correspondent

The governing Labour party has been forced to return a donation to its funds from Bernie Ecclestone, a leading promoter of Formula One motor racing, following advice from the parliamentary committee on standards in public life.

Although the party said it had "taken swift action" to avoid a conflict of interests, the disclosure of the donation will be seen seriously to undermine Labour's pledge to clean up funding of political parties. Following the government's widely criticised decision last week to exempt grand prix racing from European Union plans for a ban on tobacco sponsorship of sport, there has been intense speculation that Mr Ecclestone was a party donor.

The party last night confirmed a donation exceeding £5,000 ($8,300) was made before the general election, and that it would appear in next year's party accounts. Party rules prevent the exact size of large donations being disclosed.

The party said it had "acted swiftly, as usual, and done the right thing" over Mr Ecclestone's donation. Tom Sawyer, Labour party general secretary, sought advice about the matter last week from Sir Patrick Neill, the newly appointed chairman of the committee on standards in public life. Sir Patrick said yesterday that, although criticism of the donation itself would be unfair, the money should be returned to avoid the impression of undue influence on policy.

"I make no criticism of the party for originally receiving a donation from Mr Ecclestone, but . . . I stressed the importance of those in public life being judged not only by the reality but also by the appearance," he said.

Mr Ecclestone last night confirmed his donation, but said he "never sought any favour from New Labour" or any member of the government. "I met Mr Blair in July 1996 and was very impressed with him and his plans for our country," he said.

Downing Street has confirmed that the prime minister also met Mr Ecclestone last month, along with Max Mosley, president of the Federation Internationale d'Automobile, the sport's co-ordinating body, and David Ward, another senior FIA official.

Although Mr Mosley and Mr Ward are members of the exclusive 1000 Club, whose members give at least £1,000 to Labour party funds, the party said their donations would not be returned. "Their contributions are already in the public domain," said an official.

. Conservatives attacked Mr Ecclestone's contribution and called for an explanation from Mr Blair.

Business fate of Beatles haunts Spice Girls

By Alice Rawsthorn in London

Whenever Beatle buffs debate where things began to go wrong for the Liverpool four, they invariably chhose the death of Brian Epstein, who had managed the band's members since the start of their career.

The Beatles went on to record some of their finest work, but EMI, their record company, watched powerless as they floundered from one commercial disaster to another. A new generation of EMI executives at its Virgin Records subsidiary now hopes that the Spice Girls, one of their most successful acts since the Beatles, can avoid a similar fate after firing their manager, Simon Fuller, last week.

This morning the five Spice Girls will meet Virgin's senior executives in London to discuss their plans following Mr Fuller's dismissal. The role of a band manager varies enormously depending on personality and their rapport with the record company. Successful managers tend to be closely involved with their acts, such as Paul McGuinness, who has worked with U2 for 20 years, and Marcus Russell, manager of Oasis.

Even by those standards Mr Fuller, 36, has exerted exceptionally close control over the Spice Girls in the three years since he bought them out of their original management deal.

Mr Fuller worked closely with Ray Cooper and Ashley Newton, who signed the Spice Girls to Virgin as the label's deputy managing directors, but took most big decisions himself.

Virgin discovered that Mr Fuller had committed the band to a plethora of product endorsement deals – for everything from Asda supermarkets to Polaroid cameras – only after he had signed them.

His formula was extraordinarily successful. The Spice Girls sold 5m copies worldwide of *Wannabe*, their first single, and 19m of *Spice*, their debut album. The Spice Girls themselves did not seem to resent Mr Fuller's approach.

Their attitude changed last week, when they voted unanimously to fire Mr Fuller. He immediately negotiated an estimated £10m ($16.6m) severance deal.

PA News

Happier days: Simon Fuller with two of the five Spice Girls

UK NEWS DIGEST

Training chiefs are summoned

Ministers have summoned the chief executives of 25 Training and Enterprise Councils to a meeting in London today where they will be ordered to repay £5m ($8.3m) to the government which they gave to a body at the centre of a fraud investigation.

The money was handed over by the Tecs to Centrex, a provider of training to the motor industry, based near Telford in the English Midlands. It was payment for 1,600 National Vocational Qualifications in motor maintenance which will be invalidated today – leaving their holders unqualified.

Fraud squad officers from West Mercia police are investigating Centrex after making several arrests last year. Police and government officials have jointly searched three Centrex offices – at Telford, Leeds in northern England, and Livingston in Scotland - and have seized documents. No criminal charges have yet been brought.

Kim Howells, an education minister will require the Centrex money to be repaid to the Department for Education and Employment because the Qualifications and Curriculum Authority, the government's new exam regulatory body, will today invalidate the 1,600 NVQs awarded by Centrex.

The QCA will also announce that it is removing awarding body status from Centrex's parent organisation, RTITB Services Ltd, which used to be called the Road Transport Industry Training Board. Chris Humphries, chief executive of the Tec National Council, said: "I understand the majority of Tecs have already reimbursed the government, and the rest are willing to do so. The critical issue now is the position of the trainees and their employers." *Andrew Bolger and Richard Wolffe*

■ ELECTRICITY GENERATION

Court challenge to regulator

The owners of two big north of England power stations have won clearance to challenge in court a decision by Professor Stephen Littlechild, the electricity industry regulator, to uphold a plan by the wholesale Electricity Pool to charge generators for power losses.

Teesside Power, a 1,875MW station, and Humber Power, a 1,260MW station, controlled by a six-company consortium, believe the Pool has allocated more costs to them than the value of the actual losses incurred. Teesside Power is controlled by Enron, an international energy group based in Houston, Texas. The Pool, encouraged by the regulator, wants to charge generators for the losses of power that occur when electricity is transported over long distances. *Simon Holberton*

■ INFLATION PROSPECTS

Drop in raw material prices

The Office for National Statistics said the prices of manufactured goods increased by just 1.2 per cent in the year to October, the lowest annual rise since June, thanks to falls in the price of food and petrol last month. In September the figure was 1.3 per cent.

There was further good news for inflation prospects. Raw materials and fuels purchased by manufacturers fell for the second month in a row. The seasonally-adjusted price of inputs in October was 0.2 per cent lower than in September. *Richard Adams*

■ VEHICLE MANUFACTURE

Imports take more of market

October's 156,706 registrations of new cars were only 1.3 per cent up on the same month last year, says the Society of Motor Manufacturers and Traders. For much of 1997 the year-on-year increases have been substantially more, and for the first 10 months registrations are still 6.7 per cent higher, at 1,933,768, compared with the same period last year.

October saw another sharp rise in the share of the market taken by imports. They accounted for 67.8 per cent, up from 62.2 per cent in the previous October, leaving imports' share for the first 10 months at 66.4 per cent, up from the 1996 period's 62.3.

● New commercial vehicle registrations rose by nearly one-fifth, on a year-on-year basis, in October. But while industry spokesmen said they were pleased by the outcome, it more accurately reflected market distortions caused by tougher exhaust emissions legislation than a new upsurge in demand.

The truck market for this year as a whole is far behind 1996 levels. For the first 10 months of the year there was a 14.9 per cent drop on the 1996 period. *John Griffiths*

Ford fades, boost for BMW

Registrations of new cars in UK	Oct 1997 Volume	Oct 1997 Change %	Oct 1997 Share %	Oct 96 Share %
Total Market	156,706	1.3	100.0	100.0
UK Produced	50,421	-13.9	37.8	37.8
Imports (1)(2)	106,285	10.5	62.2	62.2
Japanese makes	22,597	19.8	12.2	12.2
Ford group	[illegible]	-17.5	21.2	21.2
Ford	[illegible]	-16.1	20.7	20.7
Jaguar	[illegible]	-9.5	0.5	0.5
General Motors (1)	23,924	-2.9	15.9	15.9
Vauxhall	22,996	-1.9	15.1	15.1
Saab	928	-22.1	0.8	0.8
BMW group	[illegible]	-2.4	12.8	12.8
BMW	[illegible]	16.6	2.2	2.2
Rover (2)	[illegible]	-4.2	10.1	10.1
Peugeot group	16,740	-4.4	11.3	11.3
Peugeot	12,887	5.9	7.9	7.9
Citroen	3,853	-26.0	3.5	3.5
Volkswagen group	[illegible]	7.5	8.5	8.5
Volkswagen	[illegible]	-5.6	5.8	5.8
Audi	[illegible]	26.9	1.5	1.5
SEAT	1,405	151.5	0.4	0.4
Skoda (3)	[illegible]	-0.3	0.7	0.7
Renault	13,885	36.3	6.6	6.6
Nissan	[illegible]	[illegible]	4.1	4.1
Toyota	5,214	10.1	3.1	3.1
Fiat group	[illegible]	15.8	4.3	4.3
Fiat	5,172	16.4	4.0	4.0
Alfa Romeo	492	[illegible]	0.3	0.3
Volvo	3,324	-6.9	2.3	2.3
Mercedes-Benz	3,723	26.6	[illegible]	[illegible]
Honda	4,703	35.7	2.2	2.2
Mazda	2,199	16.7	1.2	1.2
Korean makes	3,675	2.7	2.3	2.3

1. GM holds 50% of Saab Automobile and has management control. 2. Includes Range Rover/ Discovery. 3. VW holds 70 % of Skoda and has management control

Source: Society of Motor Manufacturers and Traders

UK truck registrations: October 1997

	Oct 1997 Volume	Oct 1997 % change	Oct 1997 % share	Oct 1996 % share
Total	4,799	69.82	100.00	100.00
Imports	3,027	70.44	63.08	62.65
Leyland DAF (Paccar)	987	80.77	20.57	18.97
Iveco Group** (Fiat)	841	119.58	17.52	13.55
Mercedes-Benz (Daimler Benz)	743	65.41	15.48	15.92
Volvo	501	18.16	10.44	15.00
Scania (Investor)	679	82.53	14.15	13.16
MAN	376	98.94	7.83	6.69
ERF*	299	13.89	8.23	9.31
Renault	229	93.20	4.77	4.42

Names in brackets indicate ownership
** Includes Iveco, Ford and Seddon Atkinson
* Paccar also owns Foden
Source: Society of Motor Manufacturers and Traders; industry estimates

LAW

Luxury goods resale clarified

EUROPEAN COURT

The European Court of Justice has clarified the extent to which a trademark owner or holder of copyright in luxury cosmetic goods may oppose their resale, including the use of the trademark or copyright for advertising, within the European Union.

In general terms, the Court said that the trademark owner or copyright holder could not oppose resale or advertising, unless it could be shown that, in the particular circumstances, it seriously damaged the reputation of the goods.

Parfums Christian Dior, the French luxury cosmetics producer, sells its products outside France through exclusive national representatives, such as Dior Netherlands, which then use selective distribution systems to distribute the products.

Kruidvat, a chemist chain and a subsidiary of Evora in the Netherlands, advertised certain Dior perfumes for sale, which it had obtained through parallel imports, using the Dior packaging and some of the perfume bottles in its advertising leaflet.

Dior felt the advertising did not correspond with the luxury image of its brands and brought proceedings for infringement of the picture trademarks and copyright in the packaging and bottles.

Trademarks are regulated in the Benelux countries by the uniform Benelux trademarks law and are subject to the jurisdiction of the Benelux Court. The Netherlands Supreme Court referred questions of European law to the ECJ, and matters arising under Benelux law to the Benelux Court.

A preliminary question arose as to whether it was the Benelux Court or the Netherlands Supreme Court which was obliged to refer the matter to the ECJ.

Questions also arose about the extent to which a trademark owner or copyright holder could oppose the resale and advertising of its goods in another member state under the European trademark directive and the free movement of goods rules in the Treaty of Rome.

On the preliminary issue, the Court ruled that both courts would be obliged under the Treaty to refer questions of European law arising from the proper interpretation of the uniform Benelux trademark law to the Luxembourg Court.

However, there would be no obligation to refer the matter to the ECJ where it had already been the subject of a preliminary ruling in the same national proceedings.

Turning to the trademark directive, the Court said that when trademark goods have been put on the EU market by the owner of the trademark or with its consent, a reseller, besides being free to resell those goods, was also free to make use of the trademark for advertising purposes.

The directive allows the trademark owner to oppose further commercialisation of the goods for certain legitimate reasons. However, the Court said that use of the trademark by a reseller which habitually markets articles of the same kind, but not necessarily the same quality, in ways customary in the reseller's trade sector, did not constitute a legitimate reason unless it could be shown that use of the trademark seriously damaged the reputation of the goods.

The Court also said the trademark owner or copyright holder would have to satisfy the same test, namely that use of those goods for the purpose of their further commercialisation by the reseller would seriously damage their reputation, in order to justify a restriction on their movement and use under the Treaty's free movement of goods rules.

C-337/95, Parfums Christian Dior SA and Parfums Christian Dior BV v Evora BV, ECJ FC, November 4 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Deliberations at stock exchange

Christian Imo, head of Vienna's futures and options exchange, and Wolfram Littich, head of Erste Bank's treasury and capital markets division, have been given the job of establishing a new role for Vienna's 226-year-old stock exchange.

One of Europe's smallest stock exchanges, Vienna has been trying for years to chart a new role for itself and the task has taken on a fresh urgency with the approach of European monetary union.

The market has been dominated by several large Austrian banks and the Austrian government is pushing through a series of reforms to boost investor confidence in the integrity of the market and encourage its development as a source of equity capital.

The operations of the Vienna stock exchange, a rather moribund institution, have been merged with those of OTOB, the futures and options exchange, which has had more success in carving out a regional role for itself as a centre for eastern European derivatives trading.

Imo, who has built up OTOB, and Littich, who worked at Girocredit before its acquisition by Erste Bank earlier this year, will be the two members of the new executive committee of the Vienna stock exchange.

The decision not to appoint a single chief executive is a reflection of the behind-the-scenes power plays that have dogged the Vienna exchange for years.

The two men have been charged with formulating a new business plan for the exchange by March 1998.

Their most immediate problem is to decide whether to scrap the stock exchange's relatively new Eqos electronic trading system and link up with Frankfurt's cheaper and more flexible Xetra system.

Austria's banks are known to be reluctant to write off their investment in Eqos but many corporate issuers believe that Vienna will have to sacrifice some of its independence if it is to survive into the next century.

The decision on the trading system will be the first real test of whether Austria's big banks have relaxed their stranglehold on the country's stock exchange.

William Hall, Vienna

Management changes at NAB

National Australia Bank is to bring two of its top UK executives back to Australia to take on new group general manager roles.

Glenn Barnes, who is chief general manager and managing director of NAB's UK operations, will become group general manager for affiliate companies, which includes NAB's fund management companies and some electronic funds transfer businesses.

He will return to Melbourne and will be replaced as managing director in the UK by Ross Pinney, chief executive of National Australia Life.

Tom Gallagher, chief executive of Yorkshire Bank, will also return to Melbourne and become NAB's group general manager for business services.

NAB is taking the opportunity to bring Clydesdale Bank and Yorkshire Bank, its English and Scottish affiliates, together under one chief executive.

Fred Goodwin, who is already running Clydesdale, will take over from Gallagher at the head of Yorkshire in December.

Rob Fyfe will take a third new group general manager post in Melbourne as head of customer services in the Asia/Pacific region.

Goodwin said that his appointment to head both Clydesdale and Yorkshire did not mean any blurring of the two banks' identities.

"Clearly maintaining the separate brands is absolutely essential; that is the non-negotiable piece. What is negotiable is the bit behind," he said.

Goodwin, 39, joined Clydesdale in 1995 from Touche Ross, where he was a partner and chief operating officer for the worldwide liquidation of Bank of Credit & Commerce International. He is president of the Chartered Institute of Bankers in Scotland.

George Graham, London

Campbell joins ABN Amro

ABN Amro Asset Management has named Jamie Campbell as managing director of its UK unit trust operation, soon to be renamed ABN Amro Fund Managers.

The appointment of Campbell, currently managing director of Jupiter Unit Trust Managers, signals an ambitious expansion plan by the Dutch-owned bank.

The existing UK unit trust operation, ABN Amro Pembroke, has only five trusts with a total of £70m ($116m) under management, although one of them, ABN Amro Pembroke UK Growth Fund, ranks first in the UK growth sector since its launch in 1986.

ABN Amro Asset Management hopes eventually to offer in the UK a broad range of unit trusts comparable to its family of Luxembourg-based funds, said Tom Cross Brown, chief executive.

The Pembroke name, inherited from Carrington Pembroke – which ABN Amro bought in 1996, is likely to be dropped.

Campbell, who joins in the New Year, will be in charge of sales and marketing.

No changes are planned in the fund management of the unit trusts.

Before working at Jupiter, Campbell was a director at Perpetual. Tom Cross said Campbell's appointment formed a vital part of ABN Amro Asset Management's strategy to make a significant impact in the UK retail fund management sector.

Clay Harris, London

Moving places

■ CINRAM EUROPE has appointed Robert Knibbs European operations director. Knibbs has been involved in the video industry for more than 20 years. Robert Thomson becomes managing director of Cinram UK. Thomson has spent 14 years in the video industry, first with CIC and more recently with Castle Rock International in senior management roles.

■ TELESYSTEM INTERNATIONAL WIRELESS has appointed Marc Godin chief financial officer of the European Specialized Mobile Radio operations and as finance director of Tetralink Telecommunications. Godin will continue to be a member of the management board of Telesystem International Wireless Corporation. Prior to his appointment, Godin was vice-president and executive director of corporate development for TIW.

■ SAATCHI & SAATCHI WORLDWIDE has named Leonard Pearlstein co-chairman and chief executive of its Team One Advertising unit. Pearlstein, formerly managing partner of Los Angeles-based Pearlstein Group, replaces Scott Gilbert, who becomes chief executive of Saatchi & Saatchi Pacific.

■ BANK OF HAWAII AND PACIFIC CENTURY FINANCIAL CORPORATION has announced that Mary Carryer will join the company as vice-chair of both the bank and the holding company. Carryer previously worked at Westpac Banking Corporation and will be replacing Tom Leppert.

■ Danie Cronje has taken over as chairman of South African Banking Group ABSA. Cronje, who is currently deputy chairman, replaces Dave Brink who has been appointed deputy chairman. Group executive director Nallie Bosman will take over as group managing director, assuming responsibility for the bank's business operations, in particular the development of technology.

■ Bruno Lhopitallier, 55, has joined CAMPENON BERNARD as international development director for the Asia-Pacific region. He has been assistant managing director of engineering company Sfica since 1994.

■ THE BROKEN HILL PROPRIETARY CO has appointed Foster's Brewing Group chairman John Ralph as a director of the company.

■ CABLE & WIRELESS has promoted Tom Phillips to be group director, government relations. He joined Cable & Wireless as head of strategic planning in 1995. Phillips will be succeeded by Simon Gibbs who is joining Cable & Wireless from Ionica.

■ STATE STREET CORPORATION has named John Hamrock vice-president of sales and marketing for its offshore mutual fund services. Hamrock will be responsible for assisting State Street in building its offshore mutual fund services business globally, with particular emphasis on the European market. He was formerly vice-president of European marketing for Federated International Management.

■ THE FEDERATION OF EUROPEAN BEARING MANUFACTURERS' ASSOCIATION has elected Maurice Amiel its new president. He succeeds Mauritz Sahlin of SKF in Sweden, who was FEBMA president for the past four years. Amiel joins from Timken France.

■ As part of its continuing expansion plans in Europe, the Middle East and Africa, TORRINGTON, the manufacturer of bearings and motion control components, has promoted David Anthony to director of sales and marketing for the company's operations in the region.

■ David Brewer, special adviser for China to Sedgwick Far East, has been elected, with approval of the Secretary of State for Foreign Affairs, the next chairman of the GREAT BRITAIN - CHINA CENTRE. He takes over from Graham Greene, who has been chairman for 11 years.

■ Michael Mediano has joined CREDIT SUISSE PRIVATE BANKING NORTH AMERICA as a member of senior management and head of private banking in California with both the Los Angeles and San Francisco private banking offices reporting to him. Prior to his appointment Mediano was vice-president, western regional investment director for The Citibank Private Bank.

■ PHILIPP HOLZMANN, the German construction group, has appointed Jacob Lux, 45, managing director and global head of corporate communication. Lux was most recently managing director of corporate communication at Kolbenschmidt, the German-based automotive supplier group.

■ ING BARINGS has announced changes to strengthen its equity markets team in the Asian region. Paul Schulte has been appointed the firm's chief strategist in Asia, in addition to his existing role as regional head of equity research. He will replace Alan Butler-Henderson who is leaving the firm to become an independent consultant. Eugene Marais will relinquish his role as co-head of ING Barings' equities division in Asia and will take up the position of regional head of research, focusing exclusively on research management. Neil Payne has been promoted to managing director of ING Barings Securities (Singapore). Payne will remain closely involved in Singapore's research team, which will be managed by Lim Chung Chun, who has been promoted to replace Payne as head of research in Singapore. These promotions are subject to Singapore Stock Exchange Approval.

■ Strategic business partners MASTERCARD INTERNATIONAL and EUROPAY INTERNATIONAL have announced that Belgium has been chosen as the location for the global Maestro business unit. Francis van den Bosch, 47, previously general manager of commercial affairs at Europay, has been appointed chief executive of Maestro International.

■ SWISS LIFE/ RENTENANSTALT's board of directors has promoted Steve Burnett, former chief actuary, managing director of Swiss Life (UK). He succeeds Christopher Ide. Alberto Ferrando Pinol becomes head of Swiss Life (Espana) in Madrid from January 1.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

TECHNOLOGY

Then: In 1996, many broadcasters and electronics companies were gearing up for the launch of a format designed *to take radio in to the digital* age: Digital Audio Broadcasting or DAB.

DAB, which grew out of a European technology project known as Eureka 147, transmits sound as a computer code rather than as an analogue wave. The result is interference-free sound, whose quality approaches that offered by the compact disc.

A number of consumer electronics companies, including Philips, Sony, Panasonic, Pioneer and Grundig were planning to launch DAB receivers around the end of 1997, and various broadcasters were aiming to introduce DAB services around this period.

Although DAB is primarily an audio medium, it can also carry multimedia services which could include text, data files, graphics, pictures and even moving video. Eighteen months ago, the German electronics company Bosch and telephone company Deutsche Telekom transmitted motion video pictures to a fast-moving car via a radio network. The results showed that DAB was capable of broadcasting good quality pictures, even under adverse transmission conditions.

Update • Digital Audio Broadcasting

Radio, with images

DAB is set for a multimedia boost after some patchy development, writes **George Cole**

Now: DAB has moved from the European arena on to the world stage. The European DAB Forum, which represented broadcasters, electronics manufacturers, regulators and service providers has changed into the WorldDAB Forum, with more than 100 member organisations. DAB services, pilot projects and test transmissions are taking place in many countries including Australia, Canada, China, India, Israel, Mexico and most of Europe.

DAB was officially launched at the Internationale Funkausstellung (IFA) consumer electronics show in Berlin this August. A number of broadcasters and manufacturers are promoting DAB under the banner of Digital Radio, which is considered to be a more consumer-friendly name.

Around 15 manufacturers displayed DAB products at IFA, but most were prototypes and few companies will have production models on the market before 1998 – with receiver prices expected to be around £2,000 each. Even more disappointing has been the lack of national DAB services, which are available only in a few parts of Europe, including Belgium, Scandinavia and the UK.

The BBC began its DAB service around the London region in late 1995, and plans to extend coverage to 60 per cent of the UK population early in 1998. Glyn Jones, director of digital radio at the BBC, says: "Broadcasters tend to be a little conservative, but I'm sure the number of manufacturers displaying DAB receivers at IFA will have given many of them greater confidence in digital radio."

But if the existing number of DAB receivers and services is disappointing, the same cannot be said for the development of DAB as a multimedia format. "The idea is to use multimedia to bring something extra to a radio programme," explains Mr Jones.

The BBC has been running a series of multimedia radio tests, including a science radio programme on chaos theory. Radio listeners could hear a scientific discussion and see a series of fractal patterns on a computer screen. The BBC has also experimented with radio sub-titling.

But some are concerned that adding pictures and graphics to a radio programme will simply turn it into a poor relation to television: "We're trying to get broadcasters excited about using multimedia, but the emphasis is on enhancement and not replacement," says John Trowsdale, general manager of broadcast radio at the communications company NTL. Mr Trowsdale says multimedia radio could be of particular interest to advertising agencies and the music industry: "Imagine you're broadcasting a song by [the pop group] Oasis and on your DAB receiver you can also see a picture of the group and the latest tour information," he says.

In the Berlin-Brandenburg region, DAB has been used for carrying tourist and travel information to PCs and terminals. Radio France has been using DAB to send data to personal computers. The Swedish national radio broadcaster Teracom has used multimedia radio to transmit traffic information to cars equipped with multimedia DAB receivers. The information includes a digital map showing traffic conditions, and the system could be extended to allow drivers to book parking spaces ahead.

"We would like to see PC manufacturers build DAB cards into their machines, and we are currently in discussions with them," says Franc Kozamernik, WorldDAB project manager. The German company TechnoTrend has produced a PC DAB card costing DM2,000 (£687), while Grundig has developed a prototype DAB data terminal for in-car systems.

Some believe the business sector will be an early user of multimedia radio: "The DAB audience will initially be small until the receivers come down to mass market prices, so businesses could provide an early return on the investment in digital radio," says Alec Thomas, an audio consultant based in London.

Great Western Radio (GWR), the UK independent radio company, is running a series of multimedia radio test transmissions around the London region. One involves the financial and stock market information company Tenfore, which is using DAB to transmit real-time share price information to PCs.

Another European technology project, Memo (Multimedia Environment for Mobiles), is investigating the use of DAB and the GSM digital phone system as a data delivery system to portable and mobile terminals, such as notebook PCs and public transport information terminals. The Memo project includes electronics companies, research centres and media groups, including Bosch, Ericsson, Le Monde and the University of Nottingham.

"DAB is a good medium for data delivery. It is robust and over 40 times faster than a telephone modem," says Wolfgang Klingenberg, Memo's project manager. One project used DAB to deliver data files to workers on a construction site in Rennes, France. The data, which included building plans, were received on a notebook PC.

The Memo project ends in 1998: "We will see many products and services emerging from our work, the potential is huge," predicts *Mr Klingenberg.*

Big results from thinking small

Microreplication is improving an array of new and old products, says **Marcus Gibson**

The ability to duplicate tiny identical shapes on the surface of a material, known as microreplication, was first achieved 30 years ago. But only recently has its true value been realised.

After years of research, backed up by increasingly sophisticated computer modelling tools, a wide range of products has been developed that are either new or substantially improved by microreplication.

The technique can be used on everything from abrasives, optics in lighting units and mouse mats to laptop computer screens, with the prospects of hundreds more new products.

Much of the work on commercialising the technology has been carried out at 3M, the big US materials specialist. William Coyne, research and development chief, goes so far as to say that microreplication is vital to the group's future.

The company, best known for its sticky tape, is spending millions of dollars on patents linked to microreplication, having researched and perfected the art of producing "masters" of polymetric structures – cubes or pyramids, spheres or ridges – at reasonable cost. These can then be used to stamp out quantities of material in whatever polymer suits the application best.

After years of effort, 3M found that coating or curing a mix of mineral and resin on to a backing material was the best way to form ultra-precise microscopic structures in a fixed pattern. Best of all, curing by light removed the need for solvents and ovens and greatly accelerated the process.

Perfecting the technique has not been easy. For example, the temperature of the machine used for applying the coating must be maintained to within 1,000th of a degree celcius as thermal expansion or contraction can ruin the microarchitecture required.

The best known use for microreplication occurred in 1987 when a drag-reducing film with a uniform surface was added to the hull of the America's Cup yacht Stars and Stripes. It regained the prize, thanks in part at least to an estimated 5 per cent improvement in performance.

So far, though, the main applications for microreplication have been in optics. Many laptop screens, for example, have a film that is applied with the technique and doubles screen brightness while halving the amount of battery power needed.

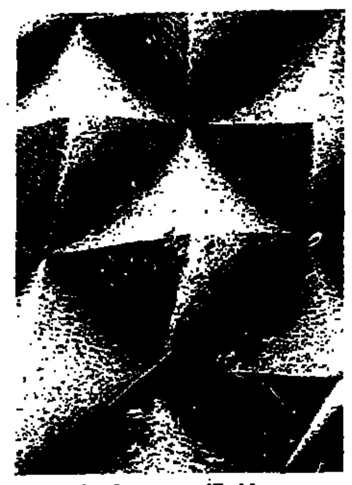
For road signs, 3M discovered that certain microstructures reflect light three times more effectively than existing materials. As a result, sheets of retro-reflective material covered in prisms, at a rate of 7,000 a sq in, were made using microreplication.

In addition, 3M produced "light pipes", or long hollow tubes lined with reflective microstructures, so that a single lamp at one end creates a brilliant stream of light for up to 30m. The twin road tunnels leading to Boston's Logan Airport are lit the full 1.5km length by this method, sharply reducing maintenance costs.

Some uses are very simple. Instead of using Velcro-type hook-and-eye fasteners to secure babies' nappies, flaps of material have been manufactured with millions of minuscule pegs on its surface. When pressed together the flaps adhere because the pegs are wider at the base, producing a firm wedge.

New abrasives produced by microreplication last four times longer than conventional sandpaper, and a single piece of the former can do the job of six grades of the latter.

The latest application for microreplicated abrasives is to be the polishing of semiconductor wafers, used to produce microprocessors and memory chips, a method which eliminates today's messy slurries.



Material gain: a magnified image of a microreplicate structure

3M has been assisted by Lorne Whitehead, professor of structured surfaces at the University of British Columbia in Vancouver. According to Prof Whitehead, the size of such microstructures allows their physical properties to be predetermined very accurately, using scanning electron microscopes and computer modelling.

The Vancouver team has concentrated on replicating structures of between 0.1 micron and 100 microns in size. Prof Whitehead says many laboratories in North America are concentrating on even smaller, nanostructural scales, below 0.1 micron, but are not yet able to replicate them. At Harvard University, for example, George Whitesides is concentrating on silicon replication for eventual use in the electronics industry.

Back at 3M, research is being directed beyond polymers and into the embryonic field of replicated ceramics.

"I think we have yet to find the most important use for microreplication," says Dr Coyne.

ARTS

'Henry VIII and the Barber-Surgeons' by Hans Holbein: humane immediacy shines through across the centuries

Holbein, fresh as paint

The full-length painting by Holbein, of two young but evidently important men standing beside a bench full of astronomical and musical instruments, has been one of the National Gallery's most popular and intriguing paintings since it came into the collection in 1890. Now, after cleaning and restoration, it is the subject of the latest in the gallery's admirable series of expository *Making and Meaning* exhibitions, set in the context of other important Holbeins in the UK.

Bought from the 5th Earl of Radnor, it was known even then as "The Ambassadors", though quite who they were had been forgotten. The assumption was that they were English, but they turned out to be French. Almost straight away, Sir Sidney Colvin of the British Museum had identified Polisy, an obscure name on the terrestrial globe, as the seat of one Jean de Dinteville. And then, in 1900, the historian Mary Hervey published contemporary documentary evidence that the sombre figure on the right was Georges de Selve, Bishop of Lavaur.

And they were indeed ambassadors: de Dinteville officially so, and de Selve on a short and discreet personal embassy from Francis I to learn exactly what was going on at the English Court. For the spring of 1533, when the painting was made, was a volatile moment in European affairs. Henry VIII was already secretly married to a heavily-pregnant Anne Boleyn, though his marriage to Catherine of Aragon had yet to be annulled. Would the Pope allow it, or would Henry break with Rome? Would the child be a boy or a girl?

The mystery now is how de Selve, in sitting for so conspicuous a portrait by the King's own painter, hoped to keep his errand quiet. Some six feet square, on a panel of 10 oak planks, the painting must have been de Dinteville's idea, for eventually he shipped it home to Polisy. It passed down through the family and was sold, shortly before the Revolution, by the Marquis de Basville. It was sold into England in 1792.

By 1890 it was in a bad way, darkly varnished and much over-painted, the planks warped and separated, the gaps filled with cement. It received a standard treatment for the time, but the planing to correct the warping soon led to further splitting, and the fresh varnish, too, gradually became darker. So in 1993, after an interval of 100 years, a programme was begun under the chief restorer, Martin Wyld, to secure the support, remove the late-Victorian work and, where possible, any earlier repainting, and re-instate what was lost. All this, and especially the last, is inevitably a matter of controversy.

The public ownership of works of art carries with it a clear duty of care; but of what does this duty consist? Paintings are not immutable, yet should we accept a darkening varnish or widening gaps in the surface of an original? But to replace the loss, even where what was lost is known, is but to chase the chimaera of authenticity, viewing our quarry from a present perspective through a modern sensibility.

In this case, does the loss about de Dinteville's middle betray the absence of a codpiece, as the fall of the cloth might suggest? Perhaps, but we can't be sure, so temporise and leave it out. On the other hand, the Victorian reworking of the nose, in the mysterious anamorphic projection of the skull, was clearly wrong, and in correcting it now the gallery is clearly right. My own view is that where appropriate, a sensibly speculative, but never irreversible, replacement is legitimate.

In the end, for all the excitement such an exercise affords the scholar in what is revealed of symbolism, history and technique, the final test must always be aesthetic. Does it remain alive, or does it come alive and speak to us again after a long dormancy? Here, rich as it proves to be in scholarly pickings, "The Ambassadors" is even more successful in its renewed presence as a painting.

The success of this particular exhibition lies in bringing us back to the painting, set in the context of other Holbeins and illuminating them in their close relation to the drawings. Holbein's portrait drawings are familiar enough, and while none survive for the larger works, save only the full-scale cartoon for the lost Henrys VII and VIII at old Whitehall, the presence of a few choice examples makes the point of their intimate, primary relation to the work. The study of William Reskimer hangs beside the painting which it served. Both are held at Windsor in the Royal Collection, but even there, when were they last seen together?

The drawings give us Holbein as he is looking, so free and direct in his command of the inflected line. It is from these qualities, implicit in the paintings, that their humane immediacy, still fresh across the centuries, derives. We come back to "The Ambassadors" again, and to those two serious, fresh-faced young men, as fresh indeed as paint.

William Packer

Making and Meaning – Holbein's Ambassadors: The National Gallery, London WC2, until February 1; sponsored by Esso UK.

Ballet/Clement Crisp

French with feet of angels

The programming for the Paris Opéra Ballet is imaginative, and often intriguingly thematic. Ballets are linked, not in a hectoring educational fashion, but because we may discover new pleasures in their juxtaposition.

The latest triple bill, which plays until November 21 at the Palais Garnier with varied casting, has as its theme, French music. So we find two revivals – Léo Staats' *Soir de fête;* Massine's vision of Berlioz' *Symphonie fantastique* – with the acquisition of Roland Petit's tremendous view of Bizet's *L'Arlésienne*. This last dominates the evening. It is Petit at his boldest in style, with two tragic newlyweds, Vivette and Frédéri, surrounded by a male and female chorus who are commentators and mirrors of social attitudes.

Frédéri is obsessed with a mysterious beloved – the Arlésienne of the title, whom we may also interpret as a forbidden and subliminal passion. He cannot love the gentle, beautiful Vivette, who seeks to comprehend the incomprehensible, and the ballet becomes a brilliant study in unspoken desires, unspoken griefs.

It was created 20 years ago for Petit's Marseille troupe, and was interpreted with memorable force by Rudy Bryans and the Cuban marvel, Loipa Araujo. At the Opéra, in Thursday's opening performance, it received no less truthful readings from Isabelle Guérin, who caught exactly the grace and heart-torn despair of Vivette – the beautiful Guérin is an artist of unfailing clarity in feeling as in dancing – and Manuel Legris. Legris, that hero, tears into the role of Frédéri with an astounding despair. Character is wonderfully sustained – his gaze ever seeking his lost love – and so is the dance, which calls for unabashed bravura. In his final scene, alone on stage, driven by the unrelenting rhythm of the farandole, Legris commands the role, the dance, the huge stage, our imaginations, as he circles and flings himself to his death. Magnificent art, from him as from Guérin.

Soir de fête is one of the Opéra Ballet's ancestral treasures. Staats made it in 1925 for the legendary, the flawless, Olga Spessivtseva, framing her in a divertissement cast in purest academic style. It is gracefully made and it enshrines the virtues of the old Franco-Italian style: brilliant little steps, precision, charm of manner as of technique. It sits as prettily as you like on the delicious music Delibes made for *La Source*, and the former *étoile* Christiane Vaussard – who was enchanting in it – has mounted a happy revival.

A group of soloists – 17 women; three men – sparkle and flash, beat steps with bird-wing speed, and are very good indeed. The central role calls for bravura and a very elegant style, which, alas, Karin Averty did not provide. Her partner, Jose Martinez, dealt very well with his less demanding role. But the piece is a gem, well worth keeping on display. (The closing section, which rattles along at top speed, reminded me of Beecham's comment after he had led a ballet troupe a pretty and nifty dance : "That'll keep the buggers on the hop!") Nothing fazed, the Opéra cast whistle through it all with happy insouciance and feet of angels.

And so to the restoration of *Symphonie fantastique* to public gaze after four decades. This was the third of the symphonic ballets with which Massine stunned audiences in the 1930s. The earlier *Les Présages* was set to Tchaikovsky Five: *Choreartium* to Brahms Four: both have returned to us in recent years with merits undimmed. Their manner was emotional, expressionistic; their messages "universal"; their craft secure. Massine's choice of Berlioz was almost inevitable.

Berlioz' theme of an opium-stunned musician dreaming of an ideal Beloved, caught up in scenes at a ball, on the Roman campagna, in a march to the scaffold and at a witches' Sabbath, is meat and drink to dance. In 1936, with Massine as the musician, Toumanova as the beloved, *Symphonie fantastique* enthralled the Ballets Russes audience. Post-war revivals – in Denmark; in a major revision for the Paris Opera in 1957 – did not hold a place in the repertory. Massine's reputation was falling into that decline from which the past decade's stagings of several major works *(Présages; Choreartium; Le Sacre du printemps)* have started to rescue him. *La Symphonie fantastique* will help in this reassessment.

It has been re-staged (and edited) by the choreographer's son, Lorca Massine, and it amounts to something more than a fascinating *revenant*. The brightness of Massine's response to Berlioz' romantic agony is still there. The scene in the Campagna doesn't work (it has some Disneyesque moments of birds and shepherds and a flower girl, all suffering from the terminal cutes), but the famous ball-room scene, the scaffold and Sabbath incidents have undeniable power. The grand design by Christian Bérard is grand still – the costuming somewhat less so – and Emmanuel Villaume led a sure performance from the Opera orchestra. Kader Belarbi and Fanny Gaida were the Musician and his Beloved – both good. But Massine and Toumanova had, in everything I saw them dance, a temperamental brightness which is needed to bring this ballet into focus. Experience will show the Opéra casts how to time-travel, how to identify in more extreme and Ballet Russe-ish terms with Massine's vision. The level of the company performance was, I need hardly add, splendid.

Theatre/Sophie Constanti

Looks to kill – and thrill

Is the British Festival of Visual Theatre an umbrella event under which some of the best of Britain's new, multi-disciplinary performance work is to be found? Or is it, like other festivals with small funds, big ideas and a recklessly democratic pick 'n' mix approach, just another spurious exercise in promoting a ragbag of productions which may or may not share some common ground? The answer depends on which shows you happened to catch during this year's BFVT. Certainly, the festival was as much a showcase for risibly bad work – like Theatre Edible's *The Bound Man* – as for one off gems such as Bobby Baker's *Table Occasion No.4*. But most of the performances over the four week run (mainly at Battersea Arts Centre) fell between these extremes, from Doo Cot's *Ultraviolet*, the story of a hump-backed lesbian told through puppetry, song and interactive design, to Toy Factory's physically intense but essentially text-based *Missing Jesus*.

Missing Jesus, Christine Entwistle's eloquently macabre play is for four women, herself included. A performer whose Elizabeth Hurley-ish beauty is as striking as the naked force of her acting style, Entwistle plays Unsaved, an incurable recidivist and sinner who views any possible reclamation of faith as a temptation to be savoured but avoided. Having taken three hostages, she overdoses on sweet sherry and heaps verbal and physical abuse upon her God-fearing but doughty victims. Looking progressively dishevelled in cocktail dress and sparkly shoes, Entwistle is unable to rob her detainees of their faith or dampen their attempts to "save" her, and her efforts to embrace Jesus/God/religion register as momentary lapses of cynicism rather than acts of profound commitment.

Entwistle's assertion that only children, the religious and mentally ill believe in magic also emerges in Vanessa Earl's solo show, *My Sky is Big*, written by Robert Young. Structured as a bumpy ride through the mind of an emotionally damaged schoolgirl who is fired by acute anger and liberated by vivid fantasies of flying, Earl's monologue tells of the dual prison of home and school, of a mother "who makes orphans glad to be orphans" and of the "thought-editing of primary coloured emotions such as spite and hate." Like Entwistle, Earl is an heroic performer, splendidly corrosive and exquisitely delicate by turns.

As significantly as these two productions graced the festival's opening week, Primitive Science's *You Have Been Watching* – apparently informed by the writings of 18th-century philosopher Jeremy Bentham – marred it. The term visual theatre invites broad definition but this group's monotonous amble between sheets of corrugated plastic, an assortment of table lamps and a few bricks was no kind of theatre at all. One company which did make an impact was the young and boisterous Frantic Assembly in *Zero*, a kind of rehearsal for millennium party-time. Drawing on club culture and stand-up comedy, the group blends cutting-edge sensibility with unusual warmth and generosity. Stand-up comedy techniques are also at the core of *Spud: A Monologue with Root Vegetables*, Hamish McColl's deliciously fanciful account of his encounter with an East European theatre director whose true employment, we later discover, is as a bowling-alley skittle-sorter. McColl's brutal but instructive experience is gloriously replayed: at one point, baffled by the combination of potato pile and irate director, the actor can only conclude that he's the victim of "some kind of East European warm-up game".

By contrast, Bobby Baker's *Table Occasion No.4* is less the tale of an ill-starred adventure than the latest addition to the long-running documentation of one woman's domestic life. Baker has been recording her experiences for the past 20 years. In her latest show, she stands atop a dining table and engages in a bizarre reconstruction of "What I'd normally be doing on a Sunday evening" – serving dinner to her family. Soup, casserole and summer fruits are dropped and hurled onto plates from an unconventional distance and, as Baker comments upon the eating habits of her diners, a scene of family life begins to take shape. Her solution to the invisibility of the wife/mother figure is to act upon an ancient proverb which recommends getting underneath something if you don't understand it. This is read as an instruction to crawl, not under the table, but beneath the tablecloth and, as Sunday dinner crashes to the floor, Baker rises, wearing the cloth – now streaked in the brilliant hues of her culinary efforts – as a gown and wiggling her hips to a Spanish song. Unlike many of the shows in this festival, Baker's work is both visually exhilarating and lavishly theatrical: it's real visual theatre.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Bill T. Jones/Arnie Zane Dance Company: Blue Phrase, Ballad, New Duet and Ursonate; Nov 12, 14, 15

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Cosi Fan Tutte: by Mozart. Netherlands Opera production, conducted by Ivor Bolton in a staging by Jürgen Flimm, with an entirely new cast; Nov 13, 16

■ BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: premiere of Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Nov 11

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Nov 16

■ CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
Renoir's Portraits: Impressions of an Age. Around 65 paintings – spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
Idomeneo: by Mozart. Conducted by John Nelson in a staging by John Copley. Cast includes Mariella Devia and Plácido Domingo; Nov 16

■ EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Discovering the Italian Baroque: The Denis Mahon Collection. Consisting of 17th and 18th century Italian paintings by Guercino, Guido Reni and Domenichino, among others, collected by Mahon since the 1930s. The exhibition was in London until May; it opens in Scotland on Thursday

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
The Sibelius Cycle: Sir Colin Davis conducts the London Symphony Orchestra in Symphony No. 1 and Symphony No. 2; Nov 16

EXHIBITION
Tate Gallery
Tel: 44-171-887 8000
Mondrian: Nature to Abstraction. A series of drawings and paintings of trees and the sea, executed in Paris before 1914, forms the core of this exhibition of works loaned by the Gemeentenmuseum in the Hague. The 60 works selected trace the artist's development; beginning with a group of early riverscapes, moving through his Luminist and Cubist phases, towards the mature abstraction of his famous grid paintings; to Nov 30

OPERA
London Coliseum
Tel: 44-171-632 8300
● From the House of the Dead: by Janáček. New English National Opera production, conducted by Brad Cohen in a staging by Tim Albery. The programme is completed by Twice through the Heart, by Mark-Anthony Turnage, conducted by Nicholas Kok; Nov 11, 13
● The Magic Flute: by Mozart. Nicholas Hytner's English National Opera production is revived by David Ritch and conducted by Christopher Moulds; Nov 14

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Nov 11

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
Henry V: by Shakespeare. Ron Daniels directs this Royal Shakespeare Company production, with Michael Sheen in the title role; to 22 Nov, after which it will tour the UK

The Pit, Barbican Centre
Tel: 44-171-638 8891
Romeo and Juliet: by Shakespeare. New production directed by Michael Attenborough and designed by Robert Jones. Ray Fearon and Zoë Waites are the lovers; to Nov 15

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Oliver Knussen in a programme including works by Rimsky-Korsakov and Takemitsu; Nov 14, 15, 16

■ MUNICH

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
Elektra: by R. Strauss. Conducted by Peter Schneider, in a production directed and designed by Herbert Wernicke; Nov 12, 16

■ NEW YORK

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Don Giovanni: by Mozart. Production by Franco Zeffirelli; Nov 11, 14
● La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi; Nov 12, 15
● Turandot: by Puccini. Revival of a staging by Franco Zeffirelli; Nov 15

New York State Theater
Tel: 1-212-870 5570
● La Bohème: by Puccini. New York City Opera. Conducted by George Manahan and staged by Graziella Sciutti; Nov 15
● Marco Polo: by Tan Dun, premiered in Munich last year. New production by the New York City Opera conducted by the composer and directed by Martha Clarke; Nov 15
● Xerxes: by Handel. New York City Opera. New production directed and Stephen Wadsworth and conducted by George Manahan; Nov 13, 16

■ PARIS

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Paris Opera Ballet: mixed programme – Soir de fête by Staats, L'Arlésienne by Petit, and La Symphonie fantastique by Massine; Nov 11, 12, 13, 14, 15

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Nabucco: by Verdi. Conducted by Pinchas Steinberg in a staging by Robert Carsen; Nov 13, 16
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi. With choreography by Alphonse Poulin and designs by Alison Chitty; Nov 12

Théâtre des Champs Elysées
Tel: 33-1-49525050
● Boris Godunov: by Mussorgsky. Performed by St. Petersburg's Marinsky Theatre, conducted by Valery Gergiev (Alexandre Polianitchko on Nov 16); Nov 11, 12, 15, 16
● Les Fiançailles au Couvent: by Prokofiev. Performed by the Marinsky Theatre of St. Petersburg, and conducted by Valery Gergiev; Nov 13, 14

■ PORTO ALEGRE

EXHIBITIONS
I Mercosur Biennial of Visual Arts: retrospective of Latin American art comprising works by 200 artists from seven countries: Brazil, Uruguay, Argentina, Paraguay, Bolivia, Chile and Venezuela. Held in 11 locations around the city; to Nov 30

■ TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3289 9999
Ivo Pogorelich: recital by the pianist of works by Bach, Schumann and Chopin; Nov 16

■ WASHINGTON

OPERA
Washington Opera
Tel: 1-202-295 2400
● Pagliacci: by Leoncavallo. New production by Franco Zeffirelli, conducted by Leonard Slatkin (Eugene Kohn on Nov 16, 21 & 30). Placido Domingo sings the role of Canio (replaced by Antonio Barasorda on Nov 16 & 21); Kennedy Center Opera House; Nov 13, 16

■ TV AND RADIO

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Monday to Friday, Central European Time:

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10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

COMMENT & ANALYSIS

Advantage Saddam

US efforts to isolate the Iraqi dictator seem to have failed so far, says **David Gardner**

For a man so badly defeated on the battlefield six years ago, Saddam Hussein retains a remarkable ability to compel international concern. So much so that there is a real risk of renewed fighting in the Gulf, as the United Nations attempts to force the Iraqi dictator to comply with its efforts to disarm him.

As he has done regularly since the UN applied draconian sanctions on Iraq for its August 1990 invasion of Kuwait, Mr Saddam is testing the international community's resolve to isolate him. "It's a policy he challenges at least once a year and we get quite a ride every time," one senior western official says philosophically.

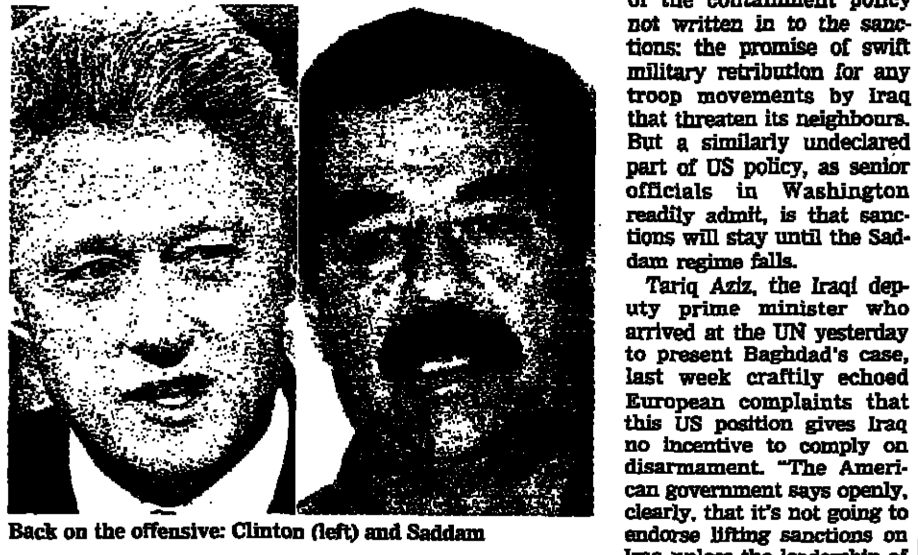
But why does Mr Saddam do it, when the odds seem so stacked against him, and when each challenge puts off indefinitely the UN lifting sanctions that have cost Iraq about $100bn in forgone oil revenue?

This time, the immediate and irresistible inducement for Mr Saddam was the split in the UN Security Council on October 23. France, Russia and China abstained on a modest US and UK proposal to increase sanctions. This would have banned travel abroad of Iraqi officials who obstruct efforts by the UN Special Commission (Unscom) to discover and destroy Iraq's weapons of mass destruction.

It was the first time the permanent members of the Security Council had failed to agree on how best to draw Mr Saddam's teeth. Seeking to widen the split, the Iraqi president ordered the expulsion of American Unscom inspectors.

His attempt has backfired so far. The Security Council powers closed ranks, and clearly believe their authority will be compromised if Iraq gets away with this latest confrontation. On the face of it, either Mr Saddam renews co-operation with Unscom or he can expect new salvoes of cruise missiles – as in 1993 and last year – only this time aimed probably at his weapons installations and elite military units.

So has Mr Saddam miscalculated again, as he did by invading Iran in 1980 and Kuwait in 1990? Has his primary vision of force as the motor of all politics led him into another hopeless adventure? From where he is sitting, not necessarily.



Back on the offensive: Clinton (left) and Saddam

The Iraqi leader did not get where he is by nuanced diplomacy. He and his Tikriti clan from Iraq's Sunni Moslem minority massacred their way to power, imposing their will on rival factions, the Kurdish north and Shi'a Moslem south. By hijacking the military-backed Ba'ath party he acquired a veneer of pan-Arab nationalism, which he used as the vehicle for projecting his regional ambition.

Once Egypt withdrew from confrontation with Israel after the 1979 Camp David peace treaty, Mr Saddam spotted a vacancy. He proceeded to fill it as the self-mythologised "Sword of the Arabs", metamorphosing into the new Saladin – the Moslem hero who liberated Jerusalem from the Crusaders – until, that is, he over-reached himself in Kuwait.

Meanwhile, the west and the Gulf Arabs, fearful of Tehran's attempts to export its militant Shi'ite Islamic revolution, had helped arm and finance him in his 1980-88 war with Iran. This added to his mystique in the region, where he enjoyed considerable popular support during his confrontation with the Gulf war alliance.

Given his past record of success, losing that confrontation could look to Mr Saddam more like a setback than a defeat. He is confident he has prevented any serious alternative to his rule, and that his enemies abroad fear the break-up of Iraq – and the possible creation of a Shi'a republic in the south, which could extend Iran's influence.

Moreover, the six years of US-brokered Arab-Israeli peace-making ushered in by the Gulf war probably look to Baghdad like an episodic aberration now the peace process has gone sour and anti-American sentiment is rising throughout the region. The regional furniture is being re-arranged to Mr Saddam's advantage. Both Iran and Syria – which Baghdad has feuded viciously with for 20 years – have started a rapprochement with Iraq. This would matter less were it not that Saudi Arabia, Washington's main Gulf ally, has also begun mending fences with Iran.

For Mr Saddam, this regional realignment, plus the split in the Security Council, provided as good a moment as any to test again where exactly the red line is he cannot cross. His widely presumed goal is to get sanctions re-examined: the sanctions have stayed unmodified for seven years, except for last year's oil-for-food resolution allowing Iraq to sell about $4bn of oil a year for food and medicine. Washington's allies have gone along so far with a part of the containment policy not written in to the sanctions: the promise of swift military retribution for any troop movements by Iraq that threaten its neighbours. But a similarly undeclared part of US policy, as senior officials in Washington readily admit, is that sanctions will stay until the Saddam regime falls.

Tariq Aziz, the Iraqi deputy prime minister who arrived at the UN yesterday to present Baghdad's case, last week craftily echoed European complaints that this US position gives Iraq no incentive to comply on disarmament. "The American government says openly, clearly, that it's not going to endorse lifting sanctions on Iraq unless the leadership of Iraq is changed," he said.

The Iraqi stance will assuredly not get sanctions reconsidered in the near future. But Mr Saddam will have observed that the Clinton administration has so far failed to prevent Total of France and Gazprom of Russia from investing in Iranian gas development, in defiance of US sanctions. He may well believe that allied rivalry over Iran will translate into widening divisions over Iraq.

Oil companies from Russia, China and France have signed or are about to sign potentially lucrative oil deals with Iraq for when the embargo lapses. Senior US officials claim the contracts will not be worth the paper they are written on when Mr Saddam goes. But some recognise that the effect of unworkable unilateral measures against Iran is seeping into policy on Iraq and damaging US credibility.

That is for the longer term. For now, the Saddam dictatorship's almost limitless capacity to tolerate Iraqi casualties means it has little fear of military strikes – and may even welcome them as a means of fanning anti-American feeling in Iraq and the region.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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FIA best placed to limit tobacco advertising in Formula One

From Mr Max Mosley.

Sir, Your editorial "A principle burned up" (November 6) on the government's proposed exemption of Formula One from a draft European Union directive on tobacco advertising is both unfair to Tessa Jowell, the UK minister for public health, and ill-informed.

As Welsh Office minister Peter Hain pointed out in his article "There is no Labour U-turn" (November 10), an EU-wide ban on tobacco sponsorship would simply provide an incentive to the tobacco industry to support leading events outside the EU. In the case of Formula One, more than 70 per cent of the world television audience is in the Asia/Pacific region, while 10 of the 16 Formula One championship races are held within the EU. There is already substantial pressure to increase the number of events in eastern Europe, Latin America and the Asia/Pacific region.

The draft directive would, therefore, accelerate the trend towards non-EU events. But these events would still be televised globally and be seen throughout the EU. The FIA believes the proposed draft directive will fail to meet its own objectives.

We are willing, however, to assist in achieving a reduction in tobacco sponsorship of Formula One. The FIA could do this by means of its own regulations. These apply to all Formula One events throughout the world, something which could not be achieved by an EU directive alone. For example, we could require by regulation that no driver carry on overall or helmet any form of tobacco advertising. This would substantially reduce the broadcast impact of such logos which currently feature on the drivers during the race and in pre/post-race interviews and podium ceremonies. Further reductions or additional measures, such as the inclusion of health warnings, could also be introduced.

We believe that this is the only way to achieve an effective worldwide reduction in tobacco sponsorship within Formula One.

Max Mosley,
president,
Federation Internationale de l'Automobile,
8 Place de la Concorde,
75008 Paris,
France

No need to be member to join club

From Mr Nick Tyrrell.

Sir, Lionel Barber's article on Labour's Emu dilemma ("Spectre of September 1992 haunts Labour", November 5) had me reaching again for my dog-eared copy of the Maastricht Treaty. It confirmed my suspicions.

Neither the quoted protocol nor the referring article (109j2) make any references to being a *member* of the Exchange Rate Mechanism; the requirement (whether by accident or design) is merely that candidates "respect the normal fluctuation margins" of the mechanism.

We may argue as to what these margins now are, but the wording of the treaty seems to allow an easy escape for the government. It should informally shadow the ERM margins, without becoming a paid-up member. If it succeeds for two years, then it can legitimately claim to have passed the test. If not, then perhaps it should anyway be re-thinking the wisdom of early entry to economic and monetary union.

Nick Tyrrell,
director of forecasting,
Bak Oxford International,
Peter Merian-Strasse 23,
CH-4052 Basle, Switzerland

Look to Portugal for bank candidate

From Mr Guy Villax.

Sir, Are French bankers competent or sensitive enough for the top job at the European Central Bank ("Masters of the grand gesture", November 6)? Have we already forgotten the Debit Lyonnais or the marble of the European Bank for Reconstruction and Development? A banker from a smaller country may well be more competent, more independent and more refreshing.

Save us from the ENArques, try a Portuguese on top for a change. Recent performance in both private (Banco Portugues de Investimento and Banco Comercial Portugues) and public finance (gross national product growth, unemployment, inflation and interest rates) demonstrate what the periphery can do.

Guy Villax,
Travessa do Ferreiro, 3,
P-1200 Lisbon,
Portugal

Opera: public should not have to foot the bill

From Jan Harrington.

Sir, Andrew Clark ("While opera sings the blues", November 7) gets things almost correct. But his basis for demanding a subsidy for the English National Opera is wrong. ENO has been just as capable of producing popular warhorses as Covent Garden. It no more deserves a subsidy for presenting popular material than any other popular company.

If one were to split ENO into two parts – the part that presents popular stuff and the part that presents experimental, unpopular stuff – then there is a reasonable question of whether the experimental part deserved a subsidy.

Frankly, I think not. We live at a time when there are more multi-millionaires than ever before, many of whom got rich in the rebellious areas of computers and communications. If there aren't enough of them willing to provide subsidy for any number of unpopular or experimental art forms, the public should not be expected to foot the bill.

The purpose of subsidised art is to give a warm inner glow to those handing out other people's money to whoever is lucky enough to get it. Let them use their own money to get their warm glow in future.

Jan Harrington,
PO Box 746,
New York, NY 10116, US

From Ms Mary Allen.

Sir, Andrew Clark refers to the need for wholescale reform at the Royal Opera House. This has begun. We are introducing tight systems of financial control and accountability. New management structures will be in place shortly. Staff morale is being rebuilt. A vigorous programme of activity is under way to prepare the organisation for reopening, involving a wide range of staff working in project teams, whose briefs include artistic programming, access and audience development strategies, and management of resources.

The role and composition of the board is under review and the chairman awaits the outcome of the select committee inquiry before further appointments are made to the eight vacant positions, in consultation with the Department of Culture, Media and Sport and the Arts Council.

Our redevelopment is on time and budget. Our fund-raising is in good order and the remainder of our programme for closure has been *financially underpinned*. Our plans for the 1998-99 season are versatile and exciting and I have confidence they will receive Arts Council approval.

Mr Clark wants us to have a vision: we have one. He calls for us to make a fresh start: we are doing so. He hopes for a dream ticket: so do we.

Mary Allen,
chief executive,
Royal Opera House,
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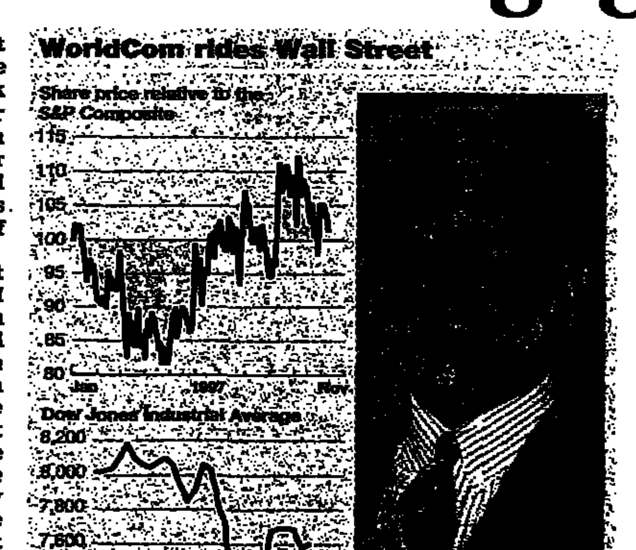
Richard Waters considers the implications for Wall Street of MCI's agreement to be taken over by WorldCom

Bulls still engaged

You thought that Grey Monday, the sharp drop in stock prices on October 27, had at the least given Wall Street pause for thought? Wrong. The bull market of the 1990s seems alive and, on the evidence of recent days, raging.

WorldCom has just secured the support of MCI Communications for a $37bn takeover which will be paid for largely with WorldCom stock – the value of which has been the subject of fierce debate on Wall Street recently. This is a fifth more than the upstart telephone company promised to pay when it first stepped into the battle for MCI early last month. The revised offer puts WorldCom in a strong position to beat its rival, GTE, which also wants to buy MCI.



Bernard Ebbers, president of WorldCom

In another contested takeover battle, ITT, which owns hotels and casinos, has also been on the receiving end of ever huger takeover bids. One suitor, Starwood Lodging is in the driving seat as ITT's shareholders prepare to meet tomorrow to consider the future of their company: Starwood has come up with a cocktail of cash and securities that it says is worth more than $10bn.

Like the WorldCom offer, this deal revolves around issuing large amounts of new stock – though it also includes a dollop of so-called "contingent value rights". This is a type of security that last played a starring role in takeover battles when Viacom won the fight for Paramount Communications in 1994, an acquisition that has never matched the promises a now-floundering Viacom made for it.

Leave aside, for a moment, the fact that multi-billion dollar contested takeover battles like this traditionally occur when the stock market is in the grip of the bulls. When confidence levels are high, investors are only too willing to believe extravagant promises about the future benefits a takeover can bring – and willing to ignore the weight of academic evidence that suggests most are financial failures.

Instead, consider the timing of the MCI and ITT bids, largely dependent, as they are, on the value that Wall Street places on the predator companies' shares.

It is just two weeks since the sharp drop that wiped more than 7 per cent from the value of US stocks in a single day. The fall would have been steeper had the New York Stock Exchange's trading rules not shut down all the US stock markets prematurely.

By rights, that should have stopped WorldCom in its tracks. This company is, in many ways, a creation of the bull market. It was formed in the early 1980s, just as stocks started their long ascent, and has issued bucket-loads of shares to mount a string of acquisitions, taking advantage of a higher stock market valuation than that of most rivals.

The stock market's shudder of last month seemed likely to spell an end to all this – or to provide at the very least a decent hiatus while investors pondered whether share prices had lost touch with reality. But with the stock market bouncing up again, WorldCom has stormed back, still confidently brandishing its equity as payment for one of the most coveted assets in the world's telecommunications industry.

Admittedly, it has had to make some substantial concessions – though it is hard to tell how much this represents an attempt to deliver a knock-out blow that will resolve the matter once and for all, and how much reflects an attempt to overcome concerns about the potential volatility of its own share price.

Either way, Bernard Ebbers, the former high school basketball coach who has turned WorldCom into one of the wonders of the modern stock market, has so far come out in rather good shape. His company's shares jumped to $28 in the summer of 1996, before falling to $20 on his last big takeover.

This year, they jumped to a high of nearly $40, before falling to around $32 yesterday on news of the higher bid. That still gives Mr Ebbers the jet fuel to keep his company flying ever upward.

If WorldCom has risen with the bull market, will it also fall back when the tide reallyturns?

Like many acquirers before him, Mr Ebbers will have to prove that his past successes have not just been the result of financial alchemy, a result of piling up ever-increasing mountains of cheap stock to keep his company's earnings rising.

Also, like all fast-growing companies, he will have to master a difficult process: turning a go-go company into a mature, slower-growing entity without allowing the whole construct to come crashing down around his ears. That, in many ways, is what happened to MCI, a company that was to the stock market of the late-1980s what WorldCom has become in the late-1980s: slower growth has left MCI a sitting duck.

Mr Ebbers is undaunted. Asked yesterday whether the cycle of stock-driven acquisitions would inevitably have to end, his answer was succinct: "We haven't died yet."

For as long as the bull market runs, that should continued to be the case.

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Bill Clinton sidetracked

Bill Clinton's decision to withdraw his ill-fated request for fast-track trade negotiating authority is a setback – but not a disaster – for international trade relations. But it is far less easy to be as sanguine about the longer-term threat this forced retreat poses for the remainder of his presidency – and for the US capacity to exercise leadership.

Although there is no great appetite in the US for further trade liberalisation, resistance to fast track does not stem from overwhelming protectionist sentiment on Capitol Hill. This remains narrowly based, largely among the labour unions and supporters of Richard Gephardt, Democratic leader in the House of Representatives. A majority of Republicans, who control Congress, broadly support free trade principles.

Remarkably little of the fast track debate has been about trade policy. Instead, the real issues have been Mr Clinton's competence, authority and trustworthiness. What should have been a hard, but winnable, campaign has turned into a political day of reckoning. For that, Mr Clinton carries much of the blame. It was clear from the outset that fast track would split the Democrats. But flawed White House strategy and tactics have left the president facing opposition from a majority of his own party, rather than just a disaffected minority.

No amount of sweet-talk was ever likely to win over Mr Gephardt's camp. Mr Clinton could have isolated them early on by confronting them. He flinched from doing so, fearing that would weaken union support for the presidential candidacy in 1999 of Al Gore, the vice-president. He compounded matters by identifying fast track as his top legislative priority – and then letting matters slide for weeks.

By the time he began seriously seeking Congressional support, the initiative was slipping from his grasp. He allowed critics of liberalisation to set the terms of debate, relying on arm-twisting and back door deals on other issues to win the day. But his approach backfired. In some cases, it created resentment; in others, a field day for special interests. Most damagingly of all, it reminded many in Congress of previous promises he made to win their support, but never fully honoured. Past short-term expediency has returned to haunt him.

The result is not only an embarrassing personal defeat for Mr Clinton. It has cast a cloud over his most precious political asset, his credibility. Unless he dispels it quickly, his leadership in trade policy – or any other issue – during the remainder of his term risks being seriously impaired. With his own party splintered, and the Republican leadership in Congress looking rudderless, there is a danger of policy drift.

The congressional election campaign next year makes prospects for action on fast track most unlikely. Mr Clinton therefore needs to find another opportunity – and quickly – which will enable him clearly to demonstrate that he is in control of the political agenda. That would have been important even if fast track had squeaked through this week, given the weaknesses the episode exposed in his presidency. It has now become essential to his future effectiveness.

A bare hug

Boris Yeltsin and Jiang Zemin were determined to demonstrate their warm personal relations when they hugged each other on the steps of the Great Hall of the People in Beijing yesterday. They want to be more than just good friends. They need each other to counterbalance their dependence on the only real superpower left – the US.

The trouble is, their cupboard is rather bare. They have declared an end to the interminable border squabbles along their 2,800-mile frontier. But their two-way trade remains less than $7bn, a fraction of the business China does with both the US and Japan. And Russia is still very cautious about transferring too much military technology to its potentially mighty neighbour.

The two leaders agreed a draft plan for a $12bn gas pipeline from central Siberia to China's Pacific coast, although the financing still needs to be found. Both hope to persuade Japan and Korea, likely customers, to help. And they have set themselves a target of boosting bilateral trade to $20bn by 2000, which seems rather less likely to be realised.

It is a far cry, none the less, from the deep hostility which marked relations between Beijing and Moscow when they were both committed standard-bearers of communism. They may not have too much to offer each other today – China's leaders like to portray Russia as an example of how *not* to reform communism – but they undoubtedly want to be friends. The rest of the world, including Washington, should be relieved.

Japan's muddle

When the Japanese stock market collapsed in the mid-1960s, precipitating the bankruptcy of Yamaichi Securities, the official response was clear-cut. The big broking firm was rescued; a support operation was launched to prop up the market; and fiscal policy was loosened to combat deflationary forces resulting from the emergence of excess savings in the economy for the first time since 1945.

Today Japan still has a problem of excess savings. It is compounded by a mountain of debt incurred in the bubble economy of the 1980s, which encourages both companies and individuals to shrink their liabilities rather than to invest. Falling stock markets and property markets threaten the solvency of the financial system, even though Japanese asset prices appear high whether measured against domestic wages and product prices, or the prices prevailing in global capital markets.

As for Yamaichi Securities, it is still there, but with a credit rating agency breathing down its neck, wondering whether to put its debt into the junk bond category. Sanyo Securities, a second tier broking firm, actually filed for bankruptcy last week despite the Ministry of Finance's desire for a rescue. And just when Japanese banks were overcoming their bad debt problems, the crisis in the rest of Asia has saddled them with new bad debts.

The foreign investors who pumped over Y18,000bn ($146bn) into Japanese equities in the three and a half years to June have decided that hope has triumphed too long over experience. Banks are reducing cross-holdings of equity. In such circumstances monetary policy is powerless to prevent recession. Fiscal expansion has been tried, but prematurely curtailed, and few expect big measures in the budgetary package due next week. Where next for Japan?

Part of the key to reducing excess savings is to make assets less expensive relative to incomes. This can be done through deregulation of the land market and financial liberalisation to reduce the nominal value of equities, which would also bring returns into line with global values.

The alternative approach is to precipitate downward price adjustment in real terms via inflation, thereby transferring wealth from creditors to debtors. Such a policy would entail further devaluation of the yen.

At present Japan is being driven down the first route by a combination of external events and half-hearted policy. The adjustment will be painful, since the debt burden will be wiped out by bankruptcies. The impending Big Bang in the financial system could add a very savage twist.

Banks' capacity to lend and the readiness of people to borrow would be further impaired, leading to a further debt deflationary spiral. Given the government's commitment to bail out depositors, the taxpayer would confront a huge bill.

It is necessary only to outline this scenario to perceive its inherent political implausibility. Policy will change and the yen will weaken, at the cost of more trade frictiWon with the US. In short, inflationary muddle-through remains a marginally more likely outcome than supply-side revolution or catastrophic crunch.

Fast-track to nowhere

Martin Wolf considers the implications for the world economy of President Clinton's failure to win trade negotiating authority

When the US sneezes, the world catches cold. The failure to muster the votes needed to grant President Bill Clinton a "fast-track" procedure for ratifying trade agreements is certainly a sneeze. The question is what sort of cold the world is likely to catch.

The answer does not depend on whether the US obtained a fast track authority now, rather than a few years hence. It depends more on whether this failure signifies a fundamental shift in the politics of US trade policy, which would have damaging consequences for the world economy. Given the turmoil in Asia and the jitters in world financial markets, this latter doubt needs to be lifted as quickly as possible.

Fast track is needed because, under the US constitution, the authority to make trade policy is vested in Congress. The power of special interests to sway that body helped produce the historic protectionism of the US, culminating in the notorious Smoot-Hawley tariff of 1930.

That calamity was sobering. Since 1934, Congress has granted the president the authority to conduct trade negotiations, and the administration has held the power of initiative on trade. As I.M. Destler of the University of Maryland explains in a pamphlet for the Washington-based Institute for International Economics, fast track was introduced in 1974, to allow the administration to deal with non-tariff barriers to trade.* It continued, with two brief lapses, until 1993. But then it was allowed to lapse.

Fast track's most important feature is that it commits Congress to accept or reject the outcome of the president's trade negotiation, without amendment. That provides US trading partners with the confidence to go ahead, sure that what Congress passes will be as agreed.

Such an authority is a necessary condition for the completion of trade negotiations with the US. True, it may not be necessary for their initiation. But without fast track, the administration would probably be unable to proceed very far with its planned initiatives, other than completion of business left over from the Uruguay Round and agreements that do not require legislative authority. Fortunately, the negotiations on liberalisation of financial services, now under way, come under the first of these headings. The liberalisation of telecommunications, agreed in April, came under the second.

So how bad will it be to lose fast track? The administration's big priorities were promotion of two big regional initiatives, the Free Trade Area for the Americas (FTAA) and the Asia Pacific Economic Co-operation forum (APEC). At the global level there is also a commitment to begin a review of the Uruguay Round outcome, notably on agriculture and services, in 1999. To this may be added important new issues: competition and investment are notable examples. These global concerns may lead to what Sir Leon Brittan, the European Union's commissioner for trade, has labelled a "Millennium Round".

Of these the loss of the regional initiatives would be, if not an unmixed blessing, far from an unalloyed calamity. When the architect of the liberal international economic order and the world's greatest power embraced the notion of preferential trade in the 1980s, it opened floodgates. As Mr Renato Ruggiero, the World Trade Organisation's director-general, noted at the end of last weeek, between 1992 and 1996 no fewer than 77 new preferential trade agreements were notified to the WTO. Sixty per cent of all the agreements now in operation came into force in the last four years.

There is good reason to question the benefits of what Jagdish Bhagwati of Columbia University has called the "spaghetti bowl" of trade preferences in regional agreements. One concern is the effect on trade and investment of complex, overlapping and restrictive rules of origin.

The wider issue is trade diversion – the shift in imports from cheaper to more expensive sources induced by preferences. Arvind Panagariya of the University of Maryland has estimated that the net cost to Mexico of trade diversion caused by the North American Free Trade Area is $3.25bn a year, or more than 1 per cent of its GDP.

Inability to start global negotiations, not the failure of regional initiatives, is the serious cost. Yet such negotiations were never likely to proceed far under this president. By 1999, after all, he will be a lame duck.

The task of giving another big push to global liberalisation will fall to his successor, who may well be more successful in obtaining the necessary authority. The big question, however, is whether he will be. Here is a country enjoying the rudest of economic health, with low unemployment, modest inflation and steady growth. Exports are a growing share of output, while export growth, as Prof Destler notes, "accounted for 32.5 per cent of overall US growth in gross domestic product between 1985 and 1994".

Moreover, barriers to trade are far higher in the rest of the world than in the US. Under global trade liberalisation, therefore, the value of the new opportunities for US exporters will almost certainly exceed those for exporters from the rest of the world to the US. If the US is not an ardent suitor now, when will it be?

Something has changed in US trade politics. There seem to be four underlying reasons for this:

- The politicisation of trade policy, with the engagement of a host of influential domestic lobbies.
- The protectionism of organised labour, an important voice in the Democratic party.
- The wider anxiety about the impact of globalisation on ordinary working people.
- And the ferocious public hostility to North American Free Trade Agreement.

A visible result of all this has been the weakening of bipartisanship, with a Democratic president having to rely on the Republicans for support. This change makes it less unlikely that the next Democratic presidential candidate will be Richard Gephardt, the protectionist House minority leader, rather than vice-president Al Gore.

It is this change in the politics of trade, hugely aggravated by presidential shilly shallying, rather than the difficulty in obtaining fast track now, that matters. Just conceivably, it will be impossible for the US to obtain an adequate negotiating authority. Without it, serious global negotiations are inconceivable.

This also raises a more immediate worry. East Asian success rested on rapid trade expansion. A return to stability demands a return to economic growth. Inevitably, this will, once again, be export-led. Where then will these east Asian exports go? They will not go to protectionist China, stagnant Japan or sluggish Europe, but, largely to the US. The devaluations against the US dollar, shown above, along with the macroeconomic adjustments under way will lead to a surge in US imports and a squeeze on US exports.

David Hale of the Zurich Group forecasts a rise in the current account deficit to $250-$300bn (3-3½ per cent of GDP) by 1999. Such a deficit would be not much smaller, as a proportion of GDP, than it was in 1987 and bigger than in 1985, the year of the Plaza exchange-rate accord. That agreement was stimulated by fears of US protectionism.

Suppose the US economy was also slowing down by 1999, perhaps because of a decline in the stock market, tighter monetary policy induced by domestic wage pressure or the deterioration in the external balance. The combination of slower growth with a soaring current account deficit would coincide with presidential elections. Trade might become a focus of the campaign. This could then reduce the chances of obtaining the authority needed to start global negotiations, even after the elections.

There might be immediate pressure to increase protection against the surge in imports. Measures such as anti-dumping suits and countervailing duties, would be brought into action. Protectionist bills might surface in Congress. The stability of US trade policy might come into question. This fear could, in turn, undermine the credibility of the east Asian export surge, slow down investment in the battered region and undermine confidence.

None of this, except for the deterioration in the US current account, is inevitable. But the difficulty now shown by the US in agreeing on a national agenda for further trade liberalisation must raise such fears.

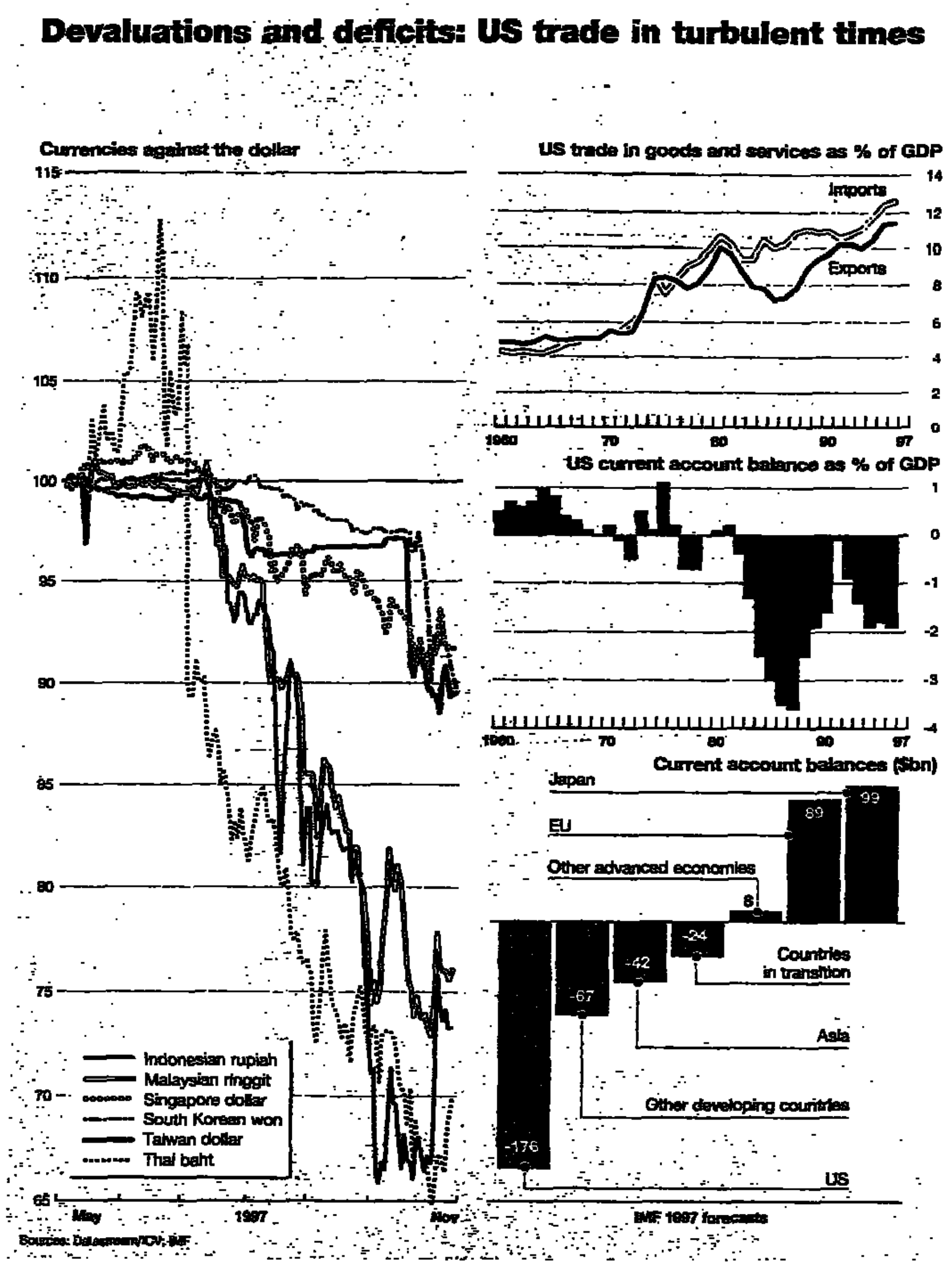
The best answer, by far, would be for the administration to generate a more focused trade policy, capable of attracting the needed public support. It has never seemed particularly plausible, for example, that the US, unable to welcome China into the WTO, will be able to enter into free trade with it within Apec. Given also the hostility to Nafta, a good starting point might be a fast track dedicated to global liberalisation. This might be easier to secure than a wider authority. It is certainly more important.

Yet that task may now be beyond this administration. Conceivably, it could be beyond the next one. Future historians may then conclude that this congressional resistance marks the high tide of the global movement towards trade liberalisation. If so, Americans would have chosen to restrict their role as the world's favourite importer. Serious economic trouble would then be in prospect. Since financial markets anticipate or even exaggerate what can go wrong in the future, that trouble would then come now.

This need not happen. It is up to Congress and administration to ensure it does not.

*I.M. Destler, Renewing Fast-Track Legislation, Policy Analyses in International Economics 50 (Washington: Institute for International Economics, September 1997).

Devaluations and deficits: US trade in turbulent times



Sources: Datastream/ICV; IMF

· O B S E R V E R ·

Exchanging places

■ Former Smith Barney boss Frank Zarb took on quite a job last year when he assumed the chairmanship of Nasdaq. The ambitious stock market was already reeling from allegations of price-fixing – and was eventually forced by the authorities to confess its shortcomings and put its house in order.

Then, to make matters worse, one of the market's most prominent companies, MCI Communications, announced that it was being acquired by British Telecommunications.

The deal would have seen MCI shift to the New York Stock Exchange, Nasdaq's arch rival, where BT paper already trades. No matter if BT wanted to keep the Nasdaq connection: the Big Board's rules make it virtually impossible for companies to delist. The stakes were high. If MCI defected, other Nasdaq stars such as Microsoft and Intel could be tempted to follow.

But Zarb can feel happy with the way things seem to be running. The proposed BT-MCI deal helped turn the spotlight on the New York market's tangled web of regulations; the NYSE board said last week that it planned to relax its listing rules. This should help Zarb reverse the one-way flow of companies moving from the junior market to the NYSE.

Yesterday's increased bid by WorldCom for MCI can only add to Zarb's delight. If everything goes to plan, two of Nasdaq's biggest companies will combine to create a $60bn monster.

And MCI now looks out of reach of both BT and rival bidder GTE – another NYSE company.

Chez Tito

■ There's not much left of the Yugoslavia that Marshal Tito left behind. But the Marshal's former Belgrade residence, empty since his death 17 years ago, is being aired and given a fresh lick of paint. There's a new occupant about to move in – President Slobodan Milosevic.

Security is reckoned to be one reason behind Milosevic's decision to move from his old house just a stone's throw away in Belgrade's elite suburb of Dedinje. Three close associates of the ruling family have been dispatched by professional killers this year.

In a city alive with organised crime, the man who stepped up in July from the Serbian presidency to become Yugoslav head of state can't be too careful.

Known simply by its address, Uzicka 15, the new presidential villa is certainly secluded. There are extensive, well-protected grounds – and a sturdy bomb shelter.

Tito, a man of diverse tastes, also bequeathed a collection of samurai swords, a billiard table and a library reputed to include some pretty racy titles in addition to works by Marx and Lenin.

If Milosevic needs some peace and quiet to collect his thoughts, he can always hop over the back wall. Behind the house, in a rarely visited marble mausoleum, lies Tito himself.

Holed

■ Drastic times call for drastic measures. With El Niño worrying Filipinos no end, one influential senator has come up with what he thinks is a great idea. As Manila begins to ration water because the city's main reservoir is emptying, Orlando Mercado, head of the senate's environment committee, says it's time for everyone to stop playing golf.

By Mercado's calculations, an 18-hole golf course requires 6,500 cubic metres of water daily – and there are 76 such courses across the nation. "With El Niño threatening the country's water supply, avoiding the game would do the people a lot of good since the water can be used for more relevant purposes," he suggests.

And Mercado says the country's golf-obsessed president, Fidel Ramos, should set an example by giving up his clubs.

The snag is that the cigar-chomping Ramos does much of his political business on Manila's manicured fairways. So Mercado's idea looks stuck back in the clubhouse.

Unplugged

■ There's a neatly timed plug for BZW's information technology prowess in the latest issue of *Waters*, a trade magazine aimed at financial market nerds. "BZW builds to global standards in London", trumpets the headline over a glowing account of a three-year IT blitz by the soon-to-be-dismembered UK investment bank, reported to have cost £300m.

Shareholders in parent Barclays bank – already asking themselves whether BZW's break-up has been botched – will be overjoyed to learn that the equities floor at Canary Wharf in London's Docklands "can accommodate 730 traders" and "features the first major deployment of flat panel screens in a trading floor".

Who knows what's going to happen to all this exotic hardware? The way the auction's going, it'll be old hat before they find a buyer.

The Financial Times

100 years ago

A "Mono" Theorist
During the past few weeks a new printing machine, the Lanston Monotype, has been on exhibition in Leadenhall-street. Many printers and many journalists have been to see this latest triumph of inventive genius, and among the latter has been Mr G.W.Steevens whose vivid and breezy writings have often amused the readers of the "Daily Mail" and, in earlier days, those of the "Pall Mall Gazette". Mr Steevens appears to have been profoundly affected by the demonstration, and his impressions, which appear in the current issue of the "New Review", bear testimony to a degree of enthusiasm that is only slightly removed from incoherency.

50 years ago

Paris Strike Ends
From Our Own Correspondent, Paris: The strike of Paris municipal workers ended to-day after the Government had given way to practically all their demands. This does not, however, end M. Ramadier's troubles. Fresh strikes are threatened by road hauliers, who consider the petrol allowance insufficient, and flour mill workers, while teachers will decide on Saturday whether or not to cease work.

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Tuesday November 11 1997

Tough measures aim to restore confidence

Brazil package to cut budget and raise taxes

By Geoff Dyer in São Paulo

Brazil unveiled a tough package of budget cuts and tax increases worth R$20bn ($18bn) yesterday in an attempt to restore confidence in the economy, which has been damaged by the recent upheaval in financial markets.

Facing the sternest test yet of its three-year-old economic stabilisation plan, the Brazilian government announced 50 measures, including a sharp increase in income tax and 33,000 public sector redundancies, to reduce public spending next year.

"We have showed that we will take all the necessary steps to maintain the real as a strong currency," said Antonio Kandir, planning minister. Pedro Malan, finance minister, said that R$20bn was a "conservative" estimate of the measures' impact.

The size of the package impressed investors who up to yesterday had seen Brazilian shares fall by 32 per cent since October 22 from the fall-out of the financial crisis in Asia.

The São Paulo Bovespa index of leading companies had risen 1.38 per cent to 8955 points by mid-afternoon yesterday on the news, after being almost 5 per cent higher at one stage.

The announcement earned plaudits from economists who said the fiscal measures showed that the government was prepared to take extremely unpopular steps, even in an election year, to maintain economic stability.

However they warned that Brazil was still vulnerable. The government would need to make rapid progress in passing other fiscal reforms in Congress and hope that the financial environment in Asia improved if it was to escape the turmoil.

The Asian financial crisis has led to speculation that Brazil might also be forced to devalue, because of its large current account and budget deficits. The government has doubled interest rates and spent an estimated $8bn of reserves to defend the currency, which is widely viewed as being over-valued.

Fears of an economic crisis in Brazil, which accounts for nearly half the region's output, has sent tremors through other Latin American financial markets over the past fortnight.

The government had hoped that the inflow of long-term capital from its huge privatisation programme would ease investors' concerns about its twin deficits over the next two years. However the financial market volatility has forced it to take decisive fiscal action.

The federal government's budget for next year will be cut by R$12bn, with R$6.7bn coming from tax increases and R$5.3bn from spending cuts.

As well as the redundancies and income tax rise, the package included higher taxes on alcohol, petrol and air travel, a public sector wage freeze, the payment of all profits from federal banks as dividends to the government and new restrictions on debt issues by state governments.

Radical fiscal package, Page 8

PW chief set to be in charge after merger with Coopers

By Jim Kelly, Accountancy Correspondent

The most powerful figure in the giant accountancy firm planned by Price Waterhouse and Coopers & Lybrand will be PW's chief executive, Jim Schiro, according to confidential documents sent to partners worldwide yesterday.

The merger proposals state that Mr Schiro, already lined up to be chief executive of the merged firm, "will assume the additional title and responsibilities of chairman" two years after the merger.

Nick Moore, of Coopers, the merged firm's prospective chairman, is due to retire in about two years. If partners in the new firm, code-named Newco, want the dual post kept, an election will be held five years after the merger and Mr Schiro will be eligible to hold the two posts for a second term.

The proposals reflect the "merger of equals" envisaged by the two firms in September when they announced their plans to form the world's largest accountancy firm with revenues of $13bn a year. Mr Schiro's central role reflects PW's success in restructuring its network on a more international basis.

The proposal to end a shared leadership so quickly after the merger is seen as an attempt to force the pace of integration in the firm. Mr Schiro, 51, is seen as a dynamic manager capable of creating a united organisation of 8,500 partners within two to five years.

The 88-page document makes no mention of the impact of the proposed merger of two other Big Six accountancy firms, KPMG and Ernst & Young. That is likely to be discussed informally with partners this month.

The merged "Newco" firm will be led by a global team including Mr Schiro and Mr Moore and six others – three each from the two firms – for the first five years.

There will also be two "transition leaders" in the team – one from each firm. A board of 42 members will meet quarterly.

The documents reveal that the firm plans to target a 'Global 200' group of leading clients. Resources will be directed to serving these clients in emerging markets such as China, Russia, eastern Europe and Latin America.

The merger was expected to go ahead early next year but it is understood regulators will look closely at the proposals and implementation could be delayed or possibly blocked. Last night leaders of the firms in the UK met business leaders to counter criticism that the merger would limit choice.

THE LEX COLUMN

World domination

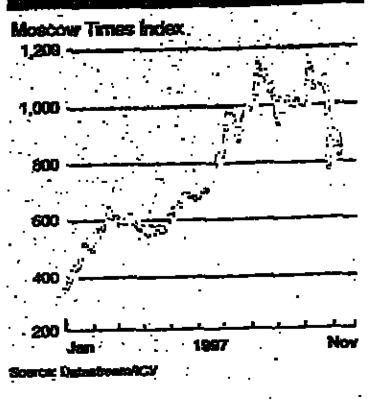
WorldCom's revised $37bn bid for MCI sets a new high-water mark for this bull market. Equities are still reverberating from the nasty shock of two weeks ago, yet the upstart telecommunications group has been able to raise its largely stock-financed offer by over 20 per cent and see its share price hardly blink.

To accomplish this, WorldCom has employed two neat tricks. First, the $7bn increase in the offer is wholly in cash and goes solely to British Telecommunications to buy out its interest in MCI. That means WorldCom does not have to issue any more shares than originally planned, but can still give other MCI shareholders improved terms of $51 a share. Second, WorldCom has hugely bumped up estimates of the deal's cost savings from $15bn to $20bn in the first five years. These extra synergies, which have come out of discussions between the two companies, conveniently offset the cost of the bid increase, leaving the accretion to WorldCom's earnings per share – so important to Wall Street – virtually unchanged at 20 per cent in 1999.

MCI shareholders must ask themselves whether those synergies are credible, particularly since they will be left holding paper while BT is taking cash. But unless WorldCom's shares collapse, it is hard to see how anyone else can break up this combination. GTE – whose best offer, informally, was $45-a-share in cash – as well as BT and AT&T will have to keep hunting in an industry rapidly running out of targets.

FTSE Eurotop 300 index: 898.2 (-4.5)

Russia



Source: Datastream/ICV

BT

British Telecommunications put a brave face on WorldCom's agreed bid for MCI. But, in truth, yesterday's developments have knocked a hole in BT's international strategy. The merged group's willingness to continue as a non-exclusive distributor for BT's products does little to disguise the latter's weakness in the US: there must even be a chance that other alliances, notably with Spain's Telefonica, will unravel.

That said, all is not lost. Indeed, if BT learns the right lesson from the debacle, it could conceivably emerge from the whole saga stronger. BT's error over many years has been its failure to woo shareholders. Capital has been hoarded, and investors questioning its international investments told to trust the management to deliver the goods. When the crunch came in the MCI contest, many shareholders were happy to see BT's offer fail.

BT can repair the damage by spelling out how its international expansion will deliver value and by handing back capital. With WorldCom due to pay it $7.5bn, BT could afford a £10bn ($16.6bn) share buy-back – sufficient to boost earnings per share by nearly 20 per cent. Sadly, the company seems inclined to pocket the cash and wait for the next big deal. Such logic has kept BT undergeared for a decade. Moreover, given the recent record, shareholders will – rightly – want to keep BT on a tight leash. The management can always come back to investors if it needs further equity. But it would then really have to convince them of any deal's merits.

Russia

Panicky measures to protect the rouble show how intent are Russian policymakers that the Asian crisis should not derail the transition to a market economy. Raising interest rates by 7 percentage points to 28 per cent and increasing bank reserve requirements are crude squeezes on liquidity. And announcing the abolition next year of the rouble's narrow sloping corridor, in favour of 15 per cent bands around 6,100 per dollar, will give speculators even less incentive to test the link.

On most fundamental grounds, there is little reason to fear an Asian-style collapse. Russia has good growth prospects, reasonable foreign exchange reserves and a solid trade surplus. In addition, inflation could fall into single digits next year. Increasing interest rates should also prove less painful since bank lending in Russia to the private sector is only a twentieth of what it was in Thailand and Malaysia.

The most serious threat to the Russian economy is the prospect of spiralling government debt, now at 30 per cent of gross domestic product. Although this seems low, it must be seen in the context of a shambolic fiscal regime. An estimated 70 per cent of inter-enterprise commerce is on a barter basis and thus beyond tax. And of taxable income, only 52 per cent is actually being collected. Without tax reform, a crisis of confidence among largely non-Russian government debtholders may not be far away.

UK/Emu

The UK government may have put joining European economic and monetary union on the back burner until at least 2002. But the urgency with which the Confederation of British Industry debated the subject yesterday shows that the need to prepare looms large. Most importantly, the pound's fluctuations against the euro will probably have to be limited from late 1999 to provide at least two years of pre-entry stability. This might sound like a re-run of Britain's unhappy stint in the exchange rate mechanism (ERM) in the early 1990s, and as such will raise hairs on necks. But if the UK's commitment to enter Emu is to be credible, the pound will need to shadow the euro and quite possibly rejoin the ERM.

Last time, the UK economy suffered because the DM2.95 central rate was too high and the fluctuation band too narrow. At the current DM2.89, there is a danger of history repeating itself. But two years out, sterling may be at a more sustainable level of, say, DM2.60. The trend should be downwards as UK interest rates look close to their peak. Meanwhile, the fluctuation band has been relaxed to an ample 15 per cent on either side.

With the brakes being put on the UK economy to help bring it into line with the continent, the idea of shadowing the euro – formally or informally – should not be verboten. Unlike Emu entry, the decision will have to be taken well before the next general election. And debate about such a move should have the added benefit of talking down the pound.

Additional Lex on Redland, Page 23

WorldCom likely to win MCI bid

Continued from Page 1

WorldCom if it pulled out of the deal. WorldCom has agreed to pay $1.6bn to MCI if it pulls out under certain circumstances.

BT said yesterday that WorldCom's success would not damage its international strategy. BT had made a pretax profit of $3bn on its investment in MCI and the enlarged WorldCom had agreed to distribute the services of Concert, the global carrier owned by BT and MCI, non-exclusively in North America. BT was free to pursue other alliances and investments in North and Latin America. Sir Peter Bonfield, BT chief executive, said the company had "used its rights pretty well", a reference to a rights agreement in the original deal with MCI giving BT powers to discourage hostile approaches to MCI.

The WorldCom-MCI link up aims to create an integrated communications company that can provide customers with the full range of local, long distance, international and internet services. The merged company has a projected market capitalisation of $60bn and revenues of $32bn.

In morning trading on Wall Street yesterday WorldCom's shares fell more than 5 per cent to $31¾; MCI rose almost 13 per cent to $41¾; and GTE's shares increased by 2.87 per cent to $44¾. BT shares closed 11p up at 465p.

Softbank shares at new low

Continued from Page 1

magazines and organises exhibitions. This had allowed Mac to pay back Y120bn ($983m) of debt to its bankers.

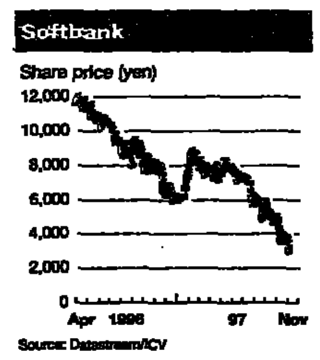
Analysts believe that because of the collapse in Softbank's shares, the value of Mac's stake is no longer viewed as adequate collateral. "Typically, banks require collateral of 130 per cent when they are lending against shares," said Mahendra Negi at Merrill Lynch. "At under Y3,000, that is no longer the case."

The assets sold last month to Ziff-Davis were part of $300m of businesses acquired by Mac from Softbank when it bought Ziff-Davis Publishing in February last year for $2.1bn.

Mr Son has improved Softbank's results by selling to Mac poorly performing divisions from Softbank's acquisitions. A book by an anonymous Softbank insider claimed Ziff-Davis was losing $30m a year when purchased by Softbank. The group had then sold to Mac a number of Ziff-Davis businesses that were losing $40m a year. This left Softbank with businesses posting operating profits of $10m.

Softbank's Ziff-Davis subsidiary will have to absorb any operating losses from its acquisition last month. However, Mr Son also revealed that Ziff-Davis would merge next year with two other subsidiaries, Softbank Comdex and Softbank Forums.

Softbank



Source: Datastream/ICV

Clinton setback on trade

Continued from Page 1

his party to back him.

Democrats have insisted that a commitment to strong labour and environmental provisions be included in trade deals, but Republicans refused.

Trade experts predicted that Mr Clinton's defeat would weaken US efforts to open markets and would spur the rise of protectionism.

But Susan Aaronson, a trade historian at Brookings Institution, said: "This is not a victory for protectionism.

"It could be the start of a broader coalition of people who want to expand the rules governing trade to include labour and environmental standards – who understand that trade affects the quality of people's lives as well as their standard of living."

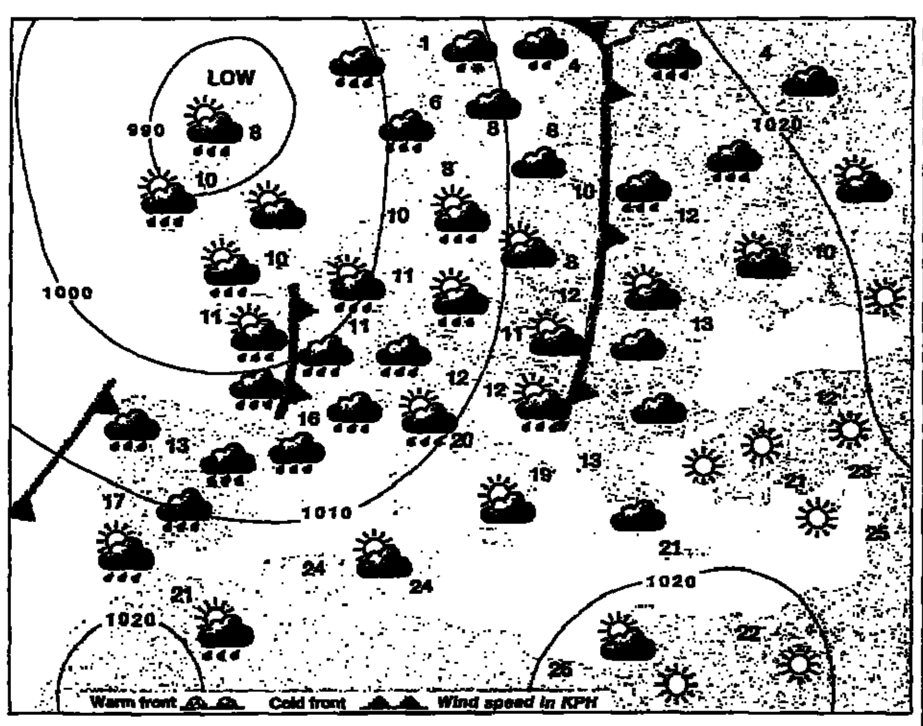
FT WEATHER GUIDE

Europe today

Northern Scandinavia will be cold and windy with snow flurries but southern Scandinavia will be mild and wet. France, the Low Countries, Germany and northern Italy will be unsettled with showers, which will be heavy at times and may merge to give longer spells of rain. The central and western Mediterranean will also be unsettled with parts of the Iberian Peninsula having heavy rain and thunderstorms. The eastern Mediterranean will be drier but western Greece may have showers. Eastern Europe will be largely dry, although western Russia will be damp and drizzly.

Five-day forecast

The central and western Mediterranean will remain very unsettled with heavy showers and thunderstorms. Central and north-western Europe will be showery but pressure will rise by Friday, bringing fog and frost by night. Eastern Europe will be cloudy and mild with occasional light rain.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

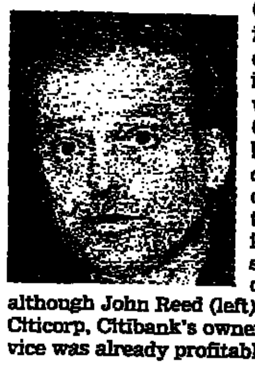
TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Rain 14	Cardiff	Fair 10	Frankfurt	Fair 12	Madrid	Rain 13	Rangoon	Thunder 31
		Belfast	Shower 10	Casablanca	Cloudy 22	Geneva	Rain 11	Majorca	Fair 20	Reykjavik	Cloudy 2
Abu Dhabi	Sun 31	Belgrade	Fair 17	Chicago	Fair 4	Gibraltar	Rain 18	Malta	Fair 23	Rio	Thunder 28
Accra	Sun 32	Berlin	Fair 12	Cologne	Cloudy 12	Glasgow	Shower 9	Manchester	Cloudy 10	Rome	Shower 20
Algiers	Fair 24	Bermuda	Thunder 25	Dakar	Fair 31	Hamburg	Cloudy 10	Manila	Shower 31	S. Frsco	Cloudy 17
Amsterdam	Shower 11	Bogota	Thunder 19	Dallas	Rain 13	Helsinki	Shower 4	Melbourne	Fair 18	Seoul	Fair 16
Athens	Drzzl 19	Bombay	Thunder 35	Delhi	Fair 28	Hong Kong	Fair 27	Mexico City	Shower 24	Singapore	Thunder 33
Atlanta	Sun 16	Brussels	Rain 11	Dubai	Sun 33	Honolulu	Sun 30	Miami	Fair 28	Stockholm	Cloudy 8
B. Aires	Thunder 25	Budapest	Fair 14	Dublin	Shower 10	Istanbul	Fair 17	Milan	Rain 12	Strasbourg	Cloudy 11
B.ham	Fair 10	C.hagen	Shower 10	Dubrovnik	Shower 18	Jakarta	Fair 33	Montreal	Snow 2	Sydney	Thunder 26
Bangkok	Shower 32	Cairo	Sun 25	Edinburgh	Fair 8	Jersey	Shower 12	Moscow	Rain 4	Tangier	Fair 24
Barcelona	Shower 18	Caracas	Fair 31	Faro	Shower 20	Johann'burg	Shower 24	Munich	Fair 11	Tel Aviv	Sun 25
						Karachi	Sun 33	Nairobi	Thunder 25	Tokyo	Sun 19
						Kuwait	Shower 28	Naples	Shower 18	Toronto	Snow 1
						L Angeles	Shower 21	Nassau	Fair 27	Vancouver	Sun 12
						Las Palmas	Fair 24	New York	Cloudy 10	Venice	Shower 12
						Lima	Cloudy 25	Nice	Shower 15	Vienna	Fair 12
						Lisbon	Thunder 17	Nicosia	Sun 23	Warsaw	Fair 10
						London	Fair 10	Oslo	Shower 6	Washington	Sun 13
						Lux.bourg	Shower 10	Paris	Shower 11	Wellington	Shower 16
						Lyon	Shower 12	Perth	Thunder 25	Winnipeg	Snow -4
						Madeira	Fair 21	Prague	Shower 10	Zurich	Rain 10

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 11 1997 Week 46

INSIDE

Citibank boost for web banking



Online retail banking in the US now seems certain to be conducted increasingly over the worldwide web after Citibank, a computer banking pioneer, decided last month to offer transactions over the web. Online banking accounts for only a small part of the financial services market, although John Reed (left), chief executive of Citicorp, Citibank's owners, said the bank's service was already profitable. Page 19

Bleak October for hedge fund investors
Hedge fund investors in emerging markets suffered poor returns in October as falling stock markets partly eroded substantial gains made earlier in the year. Reports estimate that declines on the month averaged 5.9 per cent of net asset values. Page 38

Coca-Cola buys Korean bottling plants
Coca-Cola has acquired bottling plants from South Korea's Doosan group for Won432bn ($441m) in one of the first foreign takeovers in the country. The deal follows a bid by Procter & Gamble for Ssangyong Paper, a maker of disposable nappies and tissue paper. Page 20

Japan fails to join markets recovery
World stock markets recovered from their bout of nervousness on Friday to deliver a solid performance yesterday. Investors are concerned that there was no recovery in Japan, where the falling stock market is having an adverse affect on the balance sheets of local banks. Page 38

Companies in this issue

Market Statistics
http://www.FT.com

CROSSWORD, Page 28

Chief price changes yesterday

FRANKFURT (DM)				Datamirror	13.05	-	1.45
Rises				Getchell	47.7	-	3.7
Allianz	388	+	10.5	Spar Aero	10.25	-	1.25
Henkel	93.5	+	3.1	**TOKYO (Yen)**			
SAP	508	+	13.5	**Rises**			
Falls				Denso	2260	+	100
Herlitz	107.8	-	8.2	**Falls**			
Karstadt	569	-	3.5	Alps Elec	1180	-	90
SGL Carbon	232	-	7	Chugai Phrm	810	-	90
NEW YORK ($)				Hoya	3850	-	110
Rises				Jpn Syn Rbbr	750	-	92
Bowater Inc	46	+	2⅜	Sumitomo Rlty	746	-	98
Primark	33¾	+	1¾	**HONG KONG (HK$)**			
Russ Berrie	28½	+	1⅛	**Rises**			
Tricon Global	33¾	+	1¼	HK & S Hotels	8.50	+	0.30
Falls				Varitronix	14	+	0.30
Apld Magnetic	18⅛	-	2⅞	**Falls**			
Newhall Land	27⅞	-	4⅛	Bk of E Asia	18	-	0.80
LONDON (Pence)				China Telecom	13.25	-	0.35
Rises				Cosco	8.15	-	0.80
Batt Bros	147	+	18	Realty Dev A	21	-	0.40
Danka Bus.	575	+	40	**BANGKOK (Baht)**			
Ransomes	57½	+	8½	**Rises**			
Renold	261	+	23½	Central Pat	49.00	+	4.25
Falls				ICC Inter	78.00	+	6.00
Fibernet	102½	-	7½	Post Publish	30.25	+	2.75
ISA	96½	-	43½	**Falls**			
TORONTO (C$)				Bangkok Ins	334.00	-	36.00
Rises				IFCT	33.75	-	3.75
Gold Res	6.6	+	1.05	Sym Mun Kong	53.50	-	5.50
Saputo	26.8	+	2.65				
Falls							
Dofasa	17.0	-	1.45				

New York & Toronto prices at 12.30. Paris closed.

Tesco plans mall expansion

UK supermarket group looks at projects in Prague and Budapest

By Peggy Hollinger and Norma Cohen

Tesco, the UK's largest supermarket retailer, is proposing to build three shopping malls in central Europe in a development programme estimated at more than £700m ($1.1bn).

The company, which recently announced a £350m investment programme to build six hypermarkets a year in eastern and central Europe, has acquired options over 400 acres in Prague and Budapest.

This would allow it to build three malls of more than 1m sq ft each, equal in size to some of the UK's largest shopping centres such as Lakeside, near London, or Meadowhall, outside Sheffield.

The group, with property consultants Healy & Baker, has drawn up plans for two leisure and shopping complexes in Prague and one in Budapest which it will use this week at a property conference in Cannes to gauge the level of interest from international retailers. If it attracts sufficient interest, Tesco is likely to proceed with development plans.

David Reid, deputy chairman, said Tesco could go it alone, although it would also explore the possibility of drawing in partners to help fund development costs.

"If we get good tenant interest then I expect there will be strong funding interest," he said. He also stressed that if there was insufficient interest from potential tenants, Tesco would go ahead with plans to build standalone hypermarkets of 100,000-150,000 sq ft.

"We would prefer to be operating hypermarkets. But in major cities where there may only be two or three prime locations it makes sense to build them as part of retail parks or strong shopping centres."

John Verpeleti, Eastern European property specialist at consultants DTZ Debenham Thorpe in Budapest, said the move was part of a trend by western retailers which find existing sites do not suit their sales strategies.

"The advantage for them is they do not need to pay rent and they have a fully customised building," he said. Other retailers, particularly those from the US and France, were considering similar moves.

Tesco went into central Europe when it bought a 51 per cent stake in Global of Hungary in 1994. A year later it paid £8m for Savia in Poland, and in 1996 a further £77m for 13 stores operated by Kmart of the US in the Czech Republic and Slovakia. It currently has 44 stores in the four countries. It has also recently bought a site to build a central distribution depot on the outskirts of Budapest.

Analysts said the proposal to build the shopping complexes made sense, although it could significantly increase the costs of investment. It would give Tesco a head start over competitors in terms of location, store format and the total retail offer to consumers.

"The risk is that other European retailers such as Ahold are targeting these countries," said Mike Dennis, retail analyst at Societe Generale Strauss Turnbull. "But to date Tesco seems to have been more fleet of foot than the others."

Tesco has some experience in shopping centre development in the UK.

SITA pays $1.45bn for non-US arm of BFI

By Nikki Tait in Chicago

Browning-Ferris, the second largest waste disposal company in the US, is to sell its waste management operations outside North America to France's Suez Lyonnaise des Eaux in a $1.45bn deal.

The assets – which are centred mainly in Germany, the Netherlands and the UK – are being bought by the French group's majority-owned SITA subsidiary.

The deal will allow SITA to effectively double its revenues in the European waste management market to around $2.8bn, making it the region's largest player and the third biggest worldwide. Houston-based BFI will take a 20 per cent stake in SITA.

Yesterday Gérard Mestrallet, Suez Lyonnaise des Eaux's chief executive, said that the deal fitted with the group's plan to build market share in the core energy, water and waste management services areas. The French company added that waste services would now account for about 19 per cent of its revenues.

The deal will involve a $1bn cash payment by SITA, which the company intends to finance through a $600m loan and a $400m equity offering, underwritten by its parent.

BFI will also take shares in SITA giving it a 20 per cent interest, and equivalent representation on the board. Suez Lyonnaise des Eaux, which currently owns 62.5 per cent of SITA, will continue to hold a majority stake.

According to BFI's latest annual report, the non-North American operations had sales of $1.54bn in 1996, little changed from the $1.53bn in 1995, and took in waste collection and processing services in 300 locations.

The main assets are a 50 per cent stake in Germany's Otto Waste Services, and the UK-based Attwoods business acquired by BFI in 1994.

Operations in the Netherlands, Germany and the UK accounted for about three-quarters of the international sales total.

Margins have been under pressure recently, notably in Germany, partly because of lower recycling commodity prices.

But BFI said yesterday that bottom-line profits improved in the 12 months to end-September to around $50m.

Portugal's Brisa share offering is 130 times subscribed

By Peter Wise in Lisbon

Small investors have applied to buy 130 times the number of shares on offer in Portugal's latest privatisation.

Retail demand for an initial public offering of Brisa-Auto Estradas de Portugal – one of Europe's largest motorway operators – has reached 1.18bn shares, with two weeks still to go before the deal is priced.

Bankers said yesterday that more than 400,000 people – about 5 per cent of the adult population – had placed orders, indicating that tension in international markets has failed to dull the appetite of Portugal's small savers.

The level of retail demand is far greater, in relative terms, than for the bigger global offerings earlier this year of Electricidade de Portugal, the power utility, and Portugal Telecom, which were respectively 37 and 14 times subscribed by retail investors.

"This is only the tip of the iceberg," said Elizabeth Rothfield of Lisbon brokers Midas. "We can expect the Portuguese to channel increasing amounts of money into savings plans and equities as they grow more concerned about providing for their future."

Brokers also report a high level of demand from institutions. The government is to fix the offer price on November 24, from within a range Es4,100-Es5,000 a share. This values the company at Es230bn to Es281bn ($1.6bn).

Analysts say the wide range allows the government to adjust the final price in the event of market turbulence.

Between 25 per cent and 30 per cent of Brisa's capital, 15m to 18m shares, will be sold. This means retail demand is already 65 times more than the entire offering and 130 times more than the expected size of the retail tranche. The government is to announce details of the size of the offer and its division into tranches on Thursday.

Brokers say awareness among small investors that they will receive only a tiny fraction of the shares they order has helped inflate demand to record levels.

Banks are offering their customers credit at competitive rates to buy shares, some using the shares themselves as loan guarantees.

Brisa is seen as an attractive investment with earnings that are both stable and easy to forecast. "Brisa shares are as close to bonds as an equity can be," said one analyst. The company has guaranteed shareholders a minimum annual dividend of 39 per cent of net profit.

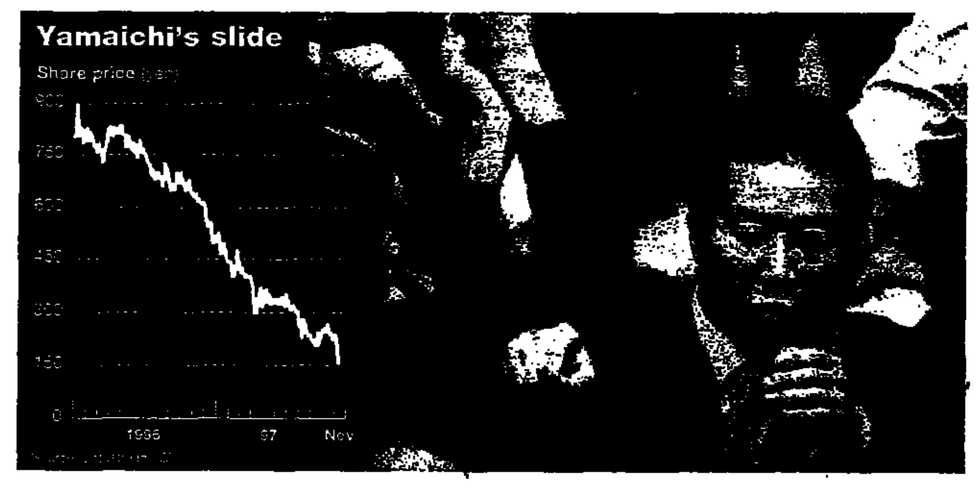
Brisa's network, currently totalling 646kms, is scheduled to grow to 1,114kms by 2004, when construction of the company's toll motorway system will be complete.

A note of concern has been sounded by the parliamentary defeat of the minority Socialist government last week on an opposition bill abolishing motorway tolls in the west of Portugal.

But analysts said Brisa was unlikely to suffer, whatever the outcome, because its concession agreement provides for full compensation.

Yamaichi's shares drop 9.3% on possibility of restructuring

By Gillian Tett in Tokyo



Shares in Yamaichi Securities, weakest of Japan's four big brokers, fell 9.3 per cent to close at Y157 ($1.28) yesterday – their lowest level for 10 years – triggered by renewed fears about the future of the group.

Officials at Yamaichi's New York branch have taken the unusual step of officially denying that the group might file for bankruptcy, but speculation is rising that it may soon be forced to unveil a restructuring to stave off growing financial pressure.

Some government officials also insisted in Tokyo yesterday that the company was very unlikely to close. "Yamaichi is too important to fail," one said.

However, investor unease has been fuelled by news that senior company officials have recently held emergency meetings. Government officials have also been involved in intensive discussions with the group in recent days.

Yesterday's closing price left Yamaichi's shares trading at about a third of their level at the start of the year – and a fraction of their Y2,830 peak during the 1980s bubble.

The latest slide in the share price was sparked last week when Moody's, the US credit rating agency, announced it was considering downgrading Yamaichi's senior debt to junk bond status. The review was partly prompted by a recent scandal at Japan's top four brokers, Nomura, Daiwa, Nikko and Yamaichi, over illegal payments to *"sokaiya"* – corporate racketeers.

This has resulted in clients suspending business with the brokers, and is likely to hurt Yamaichi badly. It notched up a Y2.7bn pre-tax loss in the first six months of the 1997 fiscal year – the only big broker to fall into the red.

But Moody's review was also triggered by the decision of Japan's seventh largest broker, Sanyo Securities, to file for bankruptcy last week.

Before Sanyo's closure it had been widely expected that the government would not let a major broker close, but the bankruptcy has left investors reassessing that view.

Analysts pointed out yesterday that Yamaichi's financial position appeared healthier than Sanyo's. The group's capital adequacy ratio, at 246 per cent, is only slightly below the 250 per cent level usually deemed necessary for a healthy broker.

Paul Heaton of Deutsche Morgan Grenfell said: "There is a red flag flying, but it is not deep in the danger zone."

However, the decline in the share price has been partly triggered by fears that Yamaichi's losses and bad debts may be bigger than published.

There is also growing concern that weaker banks and brokers could be hurt by the recent falls in the Tokyo stock market, since this erodes the value of their equity portfolios.

The Nikkei has fallen by more than 20 per cent since its summer peak, and banking and broking stocks recently plunged.

The banking and broking sectors yesterday fell by 3.2 per cent and 3.4 per cent respectively, compared with a 0.9 per cent fall in the Nikkei.

Some government officials hope they can stave off Yamaichi's problems by persuading other financial institutions to provide assistance. Fuji Bank has traditionally been affiliated with Yamaichi, and is expected to come under pressure to help the group.

Trustor inquiry traces funds to private accounts

By Greg McIvor in Stockholm and Jimmy Burns in London

Swedish and UK police have traced some of the cash missing from the London bank accounts of Trustor, the Swedish investment company under investigation over an alleged misappropriation of funds, to accounts held in the name of Lord Moyne, of the Guinness brewing dynasty, and some of his associates.

Lord Moyne, formerly Jonathan Guinness, acquired a controlling stake in Trustor last June.

The accounts are among several to which the bulk of SKr620m ($83m) missing from Trustor's Barclays account in London is thought by investigators to have been moved.

Cash is believed to have been transferred to several destinations, including other bank accounts in the UK, Gibraltar, Switzerland and the United States. Investigators have traced about SKr450m, but some SKr170m remains missing.

Accounts being investigated include one held in the name of a Gibraltar-registered company called Intercom International. The company has a nominee structure of directors and shareholders whose beneficiaries are unknown.

It is understood that Swedish and SFO investigators are also taking an interest in another company, Mattsson Guinness Securities.

The company, whose directors were Lord Moyne and Peter Mattsson, a Swede now in custody in Stockholm, was struck off the UK companies register in July after failing to file accounts and an annual return last year.

Mr Mattsson and Thomas Jisander, another of Lord Moyne's so-called Swedish "assistants", were yesterday remanded in custody in Stockholm on suspicion of abetting a breach of shareholder trust.

The two men, believed to have operated chiefly via London, were arrested on arrival in Stockholm on Friday.

Mr Mattsson was in the early 1990s a shareholder and later a client of Effex International in Norway, a foreign exchange firm which crashed with big losses in 1995. His former partner in Effex, Birger Oestraat, was jailed for fraud.

Swedish prosecutors said they were planning to ask for a third man, Joachim Posener, to be remanded in absentia. Mr Posener, a business adviser to Lord Moyne, was released earlier this year after serving a jail term in Sweden for fraud.

Meanwhile, it has emerged that Lord Moyne was a director of a company that was wound up in September by the Department of Trade and Industry after an investigation revealed serious flaws in its accounts.

The company, Access to Justice, was set up in 1985 to provide legal advice to people without legal aid.

Lord Moyne, who resigned from the company in May, was unavailable for comment yesterday. But last Friday he said he had been let down by his Swedish advisers and assistants. He insisted he had control over Trustor's assets and that no money was missing.

WorldCom wins MCI with $37bn offer and puts cost savings at $20bn over five years

Agreement raises fresh concerns

For the board of MCI Communications, yesterday's $37bn takeover offer from WorldCom may be the best it could have hoped for.

A sharply higher bid than any other on the table, it promised to put an end to a destabilising period in the company's history, while carving out a role for MCI's senior management in the merged company.

But, with the new higher bid, the risks of failure have gone up.

WorldCom's revised bid has revived the prospect of a new giant in the US telecoms industry with a market capitalisation of $60bn and revenues of $32bn.

Most of the cost savings from a merger would come from combining the two companies' long-distance businesses, giving them a 25 per cent share of this market. The deal would also enable the two to combine their resources in breaking into the $100bn local markets, using WorldCom's established MFS local networks as a base, and would bring together two of the biggest internet carriers.

But there is concern about the harm to MCI's business caused by the recent uncertainty about its future. Rival carriers have claimed successes in picking off its sales staff and the company, one of the most successful US marketing organisations of the past decade, has turned inward.

In tacit acknowledgement of this, MCI has hit back in recent days with a media campaign intended to reassure its customers, most of whom are businesses, that it has not lost its edge.

However, even if no higher rival bid emerges, and it pulls off the revised deal with WorldCom in the six- to nine-month time frame promised yesterday, there is likely to be continuing uncertainty and upheaval.

The higher bid will call for heavier cost-cutting, while the new management structure of the merged company, involving a combination of executives from the two companies, could create new tensions.

WorldCom's new bid differs in four main ways from its original $30bn offer. First, MCI holders will get more WorldCom stock – with the amount jumping considerably if the acquiring company's share price drops much below its current level.

The headline figure of $51 for each MCI share is a premium of about 23 per cent to the $41.50 that WorldCom first offered. Equally important, the so-called "collar" in which this share price is guaranteed has been widened, giving MCI shareholders much greater assurance should WorldCom's stock fall before the deal is completed.

In its first bid, WorldCom said the exchange ratio for MCI's stock would not be less than 1.0875 of a share, if its own shares rose above $40, or more than 1.2206, if the stock fell below $34. With WorldCom's shares nudging below this level in recent days, MCI shareholders have seen their potential gains decline.

Yesterday, this collar was revised to give MCI shareholders no less than 1.2439 shares, if WorldCom's stock climbs above $41, and no more than 1.7586 shares, if it falls below $29. This will make a considerable difference if WorldCom's shares fall. If its stock drops to the $29 floor, for instance, the deal would still be worth $51 an MCI share; under the previous deal the value would have fallen to just $35 a share.

The second difference is the cash that will be used to buy BT's 20 per cent of MCI. This, in effect, equates to the higher price that WorldCom has agreed to pay for MCI: the company's executives said yesterday that they expected to issue the same number of shares in the acquisition to the remaining holders of 80 per cent of MCI's stock that they first prepared to pay for 100 per cent of the company.

In a third change, WorldCom said it believed it could produce $20bn of cost-savings in the first five years after the merger is completed, compared with the $15bn it projected before. These higher savings would not come immediately: the merger's projected savings in 1999 would remain unchanged at $2.5bn.

Bernard Ebbers, WorldCom chairman, said these higher savings had become apparent as his company had had a chance to look more closely at MCI in recent days. These more aggressive savings, though, imply more job losses than was projected before – with potentially damaging consequences for morale at MCI.

Mr Ebbers will come to the company with a reputation as a low-cost operator: selling, general and administrative expenses at his company amounted to only 18.5 per cent of revenues last year, compared with 27 per cent at MCI. WorldCom would have to pare that number without eating into MCI's marketing effectiveness.

Mr Ebbers will have to do this while trying to manage a business much larger, and in some ways very different, from his own. MCI, for instance, may have concentrated on serving businesses – the market that WorldCom understands best – but also has a large base of residential customers.

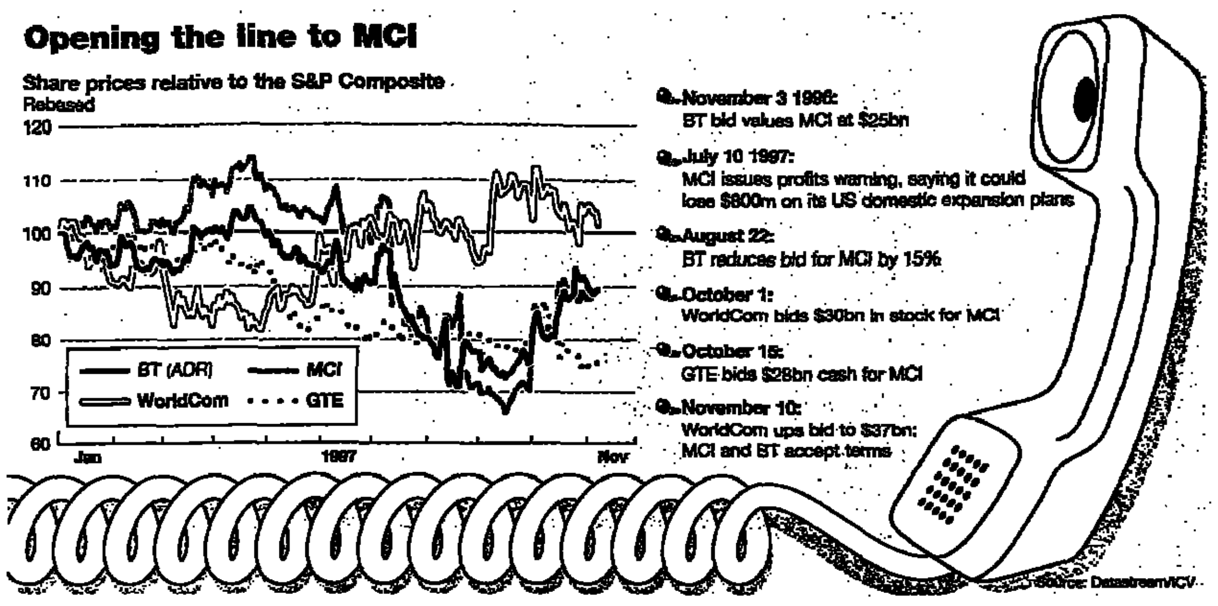
The fourth difference has been to give a significant say in the new company to MCI's top management. Bert Roberts, MCI's chairman, will assume the same title at the new MCI WorldCom. Gerald Taylor, chief executive, will take on responsibility for international operations. Tim Price, MCI president, will run MCI WorldCom's US operating subsidiary.

While giving up the title of chairman to Mr Roberts, though, Mr Ebbers will continue as chief executive – and is widely expected to remain very much in the driving seat.

Richard Waters

Opening the line to MCI

Share prices relative to the S&P Composite



Source: Datastream/ICV

MCI WorldCom

1998 pro-forma revenues	$32bn
Market cap	[illegible]
Customers	22m
Employees	[illegible]
International presence	200+ countries
[illegible]	[illegible]
US long distance market share	25%

Source: Companies

Deal thrashed out over dinner

By William Lewis in New York and Alan Cane in London

Talks over dinner in New York on Saturday night between Sir Iain Vallance, chairman of British Telecommunications, and Bert Roberts, chairman of MCI Communications, helped seal the deal between the US telecoms company and WorldCom announced yesterday, advisers said.

Events moved with dramatic speed over the weekend. At one point, BT legal advisers were poised to file an aggressive response to a legal case filed by WorldCom.

The BT response included the statement that "the attempt by WorldCom to acquire MCI flies in the face of" BT's legal agreements with MCI. It said MCI directors were unable to cancel a "poison pill" they had put in place without the approval of 75 per cent of MCI shareholders, including BT.

Sir Ian and Sir Peter Bonfield, BT chief executive, were on the point of boarding an aircraft to return to the UK after a week of discussions in New York, when they received word that WorldCom would be raising its $30bn offer. They returned to the city.

As talks progressed, BT lawyers were told to abandon the court filing.

At the same time, US telecoms group GTE, the third suitor for MCI, made an attempt to retain its position in the negotiations by submitting a letter which "suggested that it might raise its cash bid to $45 a share", an adviser said.

"However, the bid never came in a formal sense and it was below the WorldCom offer anyway," he said.

The talks between BT, WorldCom and MCI were finally concluded late on Sunday night. The dinner in New York between BT and MCI executives followed weeks of talks between the three companies. Although these were held in secret, advisers said it was clear that BT, a 20 per cent shareholder in MCI, favoured a link-up with GTE rather than WorldCom.

"However, the reality of the situation was that BT, like the other two bidders, had to wait for MCI to make its mind up," one adviser said. "Over the due diligence process the two companies [MCI and WorldCom] got to know each other and realised that they fitted together, hand and glove," another adviser said.

Salomon Brothers advised WorldCom; Lazard Freres and Lehman advised MCI; Rothschild advised BT; and Goldman Sachs advised GTE.

BT free to pursue other US alliances

By Alan Cane

It is not the ideal conclusion to British Telecommunications' year-long pursuit of the 80 per cent of MCI it did not already own. But the sale of its 20 per cent stake to WorldCom is a much better result than many had expected after the acquisitive US group made its unsolicited and higher, all-paper bid for MCI six weeks ago.

If that bid had been accepted, BT's US ambitions would have been seriously damaged. Yesterday's deal, however, will leave BT with $7bn in cash from WorldCom for its MCI shares, $450m in cash from MCI (representing the agreed penalty fee for failure to complete the BT merger) and $15m in expenses.

BT will have made a net profit of about $3bn on its investment in MCI three years ago.

As one BT executive said yesterday: "We have shown we know how to pick winners."

Sir Iain Vallance, BT chairman, was prepared to accept the deal because of immediate benefits to BT's shareholders coupled with the retention of BT's capacity to meet the needs of its customers.

But just as important to BT, its US and international strategy remains more or less intact. It has the option to buy the 24.9 per cent of the global venture, Concert Communications, owned by MCI and is free to pursue other US alliances and investments.

It is known to be talking to a number of US operators, some of which opened discussions as soon as the MCI merger looked to be in jeopardy. "This will give us the opportunity to sit back and evaluate the development of the US market," an executive said.

The US telecoms sector is undergoing rapid restructuring as the barriers between long-distance and local services are torn down.

Concert is critically important to BT's strategy. A joint venture set up by BT and MCI with the aim of capturing an increasing share of the business of large international companies, it already has an order book of more than $1bn. While it has yet to make a profit, it is the most successful of the "global supercarriers".

Success in the US, where most of the world's international companies have their headquarters, is essential. Concert services, such as virtual private networking, are already distributed in the US by MCI; if the original BT/MCI deal had gone ahead, this arrangement would have continued essentially unchanged.

Under yesterday's deal, however, Concert services will be distributed by the enlarged WorldCom with its greater reach and penetration of local markets.

From BT's point of view, the new arrangements seem at least as satisfactory as the old. Concert will have increased exposure to the US market, while the UK company will be freed from the necessity to bankroll MCI's risky and uncertain tilt at local markets.

But BT will continue to pursue the possibility of direct involvement in the US market through a link with a US partner. It has had talks over a number of years with GTE and intends to continue discussions with the local operator.

It is also expected to talk to the "Baby Bells" – the regional Bell operating companies Ameritech, Bell Atlantic and SBC Communications.

But no deal will be possible with any of these companies until the MCI/WorldCom merger is concluded next year, assuming it receives the necessary shareholder and regulatory approvals.

AMERICAS NEWS DIGEST

Tyson Foods rises to $185m

Tyson Foods, the largest poultry producer and processor in the US, yesterday announced an improved profit of $185.8m after tax for the year to September 27, up from just $86.9m a year ago. However, it admitted that the results were still "not up to the standards we have set for ourselves".

Sales in the 12 months slipped from $6.45bn to $6.36bn, although the company said that this was partly due to the deconsolidation of its Mexican joint venture and that there was an underlying rise of 4.5 per cent. Earnings per share stood at 85 cents, compared with 40 cents a year earlier.

Meanwhile, Hudson Foods, the third largest poultry company in the US and also based in Arkansas, turned in an after-tax loss of $22.2m in the final three months of its financial year, leaving it with a deficit of $21.2m for the 12 months to September 27. Hudson was at the centre of the largest-ever recall of red meat last summer, after hamburgers produced by its Nebraska plant were found to be contaminated with E-coli bacteria.

Tyson announced plans to buy Hudson two months ago, while the Nebraska plant itself has already been sold to another company.

Hudson's results – reached on sales of $1.67bn for the year, up from $1.38bn previously – incorporated a $10.9m expense in the fourth quarter, which the company said was principally due to the beef recall.

Nikki Tait, Chicago

■ SEMICONDUCTORS

Intel stake in Cambridge Display

Intel, the world's largest semiconductor chip manufacturer, has acquired a minority stake in Cambridge Display Technologies, a small UK-based start-up which has pioneered the development of light-emitting polymers – a technology used for manufacturing flat panel displays.

The terms of Intel's investment were not disclosed, but the deal is seen as a further endorsement of the low-cost and highly flexible technology which could eventually replace liquid crystal displays in portable computers, mobile phones and other electronic devices.

Cambridge Display was set up seven years ago by Cambridge University academics including Professor Richard Friend. Its other main investors include the university, the Genesis rock band and a group led by Lord Young which invested £6.8m ($11.5m) in September.

Paul Taylor, London

■ FUND MANAGEMENT

Legg Mason eyes Brandywine

Legg Mason, the Baltimore-based brokerage group, is in talks to buy Brandywine Asset Management, a privately held fund management group with about $7bn of assets under management. Legg Mason's asset management companies currently manage more than $50bn.

Raymond Mason, Legg Mason's chairman, and Anthony Hitschler, founder and president of Brandywine asset management, said the terms of the possible acquisition had not been finalised.

Tracy Corrigan, New York

■ OIL REFINING

Shell Oil to sell refinery

Shell Oil, the US division of Royal Dutch/Shell Group, will sell its refinery in Anacortes, Washington state, as a condition of its refining and marketing merger with Texaco and Saudi Aramco's Star Enterprises.

Philip Carroll, Shell Oil president, said that in an agreement with the US Federal Trade Commission, Shell Oil would be allowed "a period of time" to sell the 108,000 barrels a day refinery and that ""part of the agreement is that a partner will have to be agreed".

Shell, Texaco and Star are to form the largest oil refining joint venture in the US with almost 2m b/d of oil-processing capacity, or around one seventh of the domestic total.

Reuters, Chicago

■ TYRES

Goodyear to expand plant

Goodyear, the US tyre maker, said it would spend $15m to expand its manufacturing plant in Topeka, Kansas, to meet the growing customer need for medium radial truck tyres and steel/steel light truck tyres.

The company said it was currently importing tyres from Europe and Latin America to help meet demand, which it expected to increase.

Goodyear said this was the first of several moves globally to help North America ease its supply shortage in medium radial and truck tyres.

Reuters, Akron, Ohio

Hilton says it will not lift offer for ITT

By Tracy Corrigan in New York

Hilton Hotels said yesterday it would not increase its $80 a share offer for ITT Corporation, a move which could clear the way for a rival bid by Starwood Lodging valued at $85 a share.

Hilton said it would not come back to the table if ITT shareholders rejected its offer at a meeting tomorrow.

Some analysts thought Hilton might still make a last-minute increase, but this seemed improbable, as today is Veterans' Day in the US, a partial public holiday.

In a letter to ITT shareholders yesterday, Hilton urged them to accept its $9.3bn cash and stock offer. It described the bid as "clearly superior" to Starwood's $10.2bn offer, which has a smaller cash element.

Hilton also said its offer had been amended so that it would automatically terminate if a majority of ITT's directors were re-elected at tomorrow's meeting.

This means that if Hilton wanted to come back with a new bid, it would have to recommence its tender offer.

Stephen Bollenbach, president and chief executive of Hilton, said: "Hilton's offer will provide ITT shareholders with $5.2bn in cash, within days. That's over $2.2bn more than Starwood is proposing to pay several months from now."

Mr Bollenbach added: "The ITT shareholders now have a very clear choice. They can accept our offer on November 12 by electing the Hilton nominees. Or they can roll the dice with an incumbent board that has shown them nothing but contempt, and a risky, uncertain Starwood proposal that may or may not ever be completed. We believe the choice is obvious."

Despite the higher figure associated with the Starwood bid, "a lot of people truly believe that Hilton's offer is [better]" because Hilton is a bigger company and is offering substantial cash up front, said Dennis Forst, an analyst at McDonald, the US brokerage.

However, Institutional Shareholder Services, the influential shareholder advisory firm, recommended that ITT shareholders vote for ITT's directors and not Hilton's board nominees on Wednesday. ITT already has agreed to be acquired by Starwood.

However, ISS also criticised ITT management, saying its share price would have languished without the bids.

In morning trading Hilton shares fell $¾ to $31¼, while ITT shares dropped $2⅝ to 77$\frac{11}{16}$. Starwood also slipped, falling 1\frac{13}{16}$ to $55⅞.

Citibank boost for website banking

On-line retail banking in the US now seems certain to be increasingly conducted over the world wide web after Citibank, a pioneer of computer banking, decided late last month to offer transactions over the web. This reversed its long-held policy of only offering on-line banking via direct access.

Citibank, the largest US bank by deposits, had been the most influential bank to eschew using the web. It said its decision to shift, allowing all its customers to make transactions direct from its website, was a recognition of improved internet security.

The move is likely to have an immense influence on the industry. According to Mildred Wulff, an analyst at Jupiter Communications, a New York consultancy which specialises in on-line commerce: "In the past, Citibank has been saying that it doesn't believe the web is secure. This helps assuage consumers' fears, and it's a big step for the industry as a whole."

According to Jupiter, Citibank has also raised the bar for businesses offering financial services over the web by offering more than retail banking.

The new service offers customers far more than standard account information, bill payments and transfers. They can also obtain stock quotes and buy and sell shares, bonds and mutual funds. They can also gain access to investment research on the same site.

This puts Citibank in direct conflict with the highly successful discount brokers and mutual fund companies which are already doing heavy volumes of business over the web, such as Charles Schwab and Fidelity Investments.

Citibank said its decision to change was primarily a reaction to improvements in internet security.

According to David Smith, who heads Citibank's access division: "There were two main factors. The first is that there have been a lot of strides made in security over the past year or so, most notably at the beginning of this year when the leading browsers came out with 128-bit encryption. That made us comfortable that we could offer these services to customers.

"The second factor is just that the internet has grown so dramatically quickly in terms of where our customers are located. There are 23m adult Americans looking at the web at least once a week. We just wanted to make sure we were there."

Navtej Nandra, a specialist on the industry at Booz-Allen and Hamilton in New York, suggests that the growth of internet commerce is another powerful driver for web-based banking. He draws the parallel with automated teller machines.

Soon after they were introduced, banks were under pressure to place them in shopping malls. Now, he suggests, the pressure is on banks to place their on-line services on the web, where they are readily available for people making purchases from web retailers.

Another longer-term advantage to Citibank should be dramatically lower costs. Its direct access system, which has been steadily upgraded over the 15 years since it was introduced, requires the bank to send software to users.

The new effort requires Citibank to send out browser software. Any further upgrading can be handled via transfers over the web. And people who already have an account with the bank and a sufficiently powerful browser can sign straight on to the service.

John Reed, chief executive: on-line customers are wealthier

Offering the service over the web also makes it easier for Citibank to internationalise its services. At present, its direct access package is available in seven countries outside the US, and the plan is that these can all be converted to the web.

For now, on-line banking is a relatively small segment of the financial services market. But the longer-term strategic implications of the company's shift could be significant.

John Reed, chief executive of Citicorp, Citibank's owners, startled many observers earlier this year by saying that its on-line service was already profitable, because its 300,000 customers tended to be wealthier and more active than the average.

Other large commercial banks to have launched on the internet, such as NationsBank which did so earlier this year, have also registered swift increases in customer numbers.

A further implication is that branding could become more important. With essentially similar services all available swiftly on the web, banking services become more of a common commodity, and the power of a trusted brand name could become greater.

Mr Reed has for several years made the attempt to build Citibank into a global consumer brand central to the company's strategy, and this will continue.

According to Mr Nandra, branding will now be critical to banks' survival, as they are competing so directly with other financial providers over the web.

He said: "So far, the argument is that banks have survived because they have had the advantage of physical convenience. As banks and their services become more commoditised, differentiation will be through retailing and branding."

John Authers

Advent to focus on continental Europe

By Katharine Campbell, Growing Business Correspondent

Advent International, the Boston-based private equity manager, is shifting more of its investment activities to continental Europe because UK companies are too expensive.

John Walker, chief executive, said: "Competition and pricing in the UK is very, very hot. The quality of deals on the continent is better."

His comments came as Advent International announced the completion of a $1bn global private equity fund, of which up to 70 per cent will be directed at Europe. The balance will be spent in North America and south-east Asia. Its last global fund, of about $500m, was completed in 1994.

US investors' enthusiasm for private equity has enabled a handful of managers to raise funds of $1bn or more this year. While few disclose their investment returns, investors expect net returns of at least 25 per cent a year from managers wielding these larger investment pools.

Mr Walker said the new fund would concentrate on businesses in France, Germany, Italy and Holland, with about 40 per cent invested in the form of growth capital in sectors including media, healthcare and temporary employment agencies. The rest would be devoted to management buy-out opportunities.

Advent has invested some $875m in European companies this year. Its largest deal was the FFr2.8bn ($490) leveraged buy-out of Holding de Restauration Concedée, the French concession catering group. It said the new fund would be involved primarily in deals of $60m-$150m, but that it would hope to pull off a few of up to $500m.

The largest investors in the new fund are the IBM Retirement Fund, GE Capital Services and PGGM, the Dutch pension fund.

Bombardier to take over German rail group

By Graham Bowley in Frankfurt

Deutsche Waggonbau (DWA), the east German manufacturer of rail carriages which was once Europe's largest maker of rolling stock, said yesterday its shareholders had agreed to a takeover by Bombardier, the Canadian transportation group.

It said that Advent International, the US venture capital investor which bought the German company in 1995, had agreed in principle to sell DWA to Bombardier, although the purchase agreement and sale price were still under negotiation.

The purchase would almost double Bombardier's manufacturing presence in Europe.

The Canadian group, which is a leading producer of subway cars, aerospace and motorised consumer products, already has a factory in Aachen in Germany – where it makes small self-propelled trains for the German market – and it has plants in France, Belgium and Austria.

Advent, which is based in Boston, bought DWA from BVS, the successor to the Treuhand privatisation agency.

Before German reunification, DWA employed more than 25,000 workers and exported most of its production to the former Soviet Union and eastern Europe.

However, after 1990 DWA's eastern markets collapsed and the company has since shrunk markedly.

The company now employs about 4,000. It has become an important supplier to Deutsche Bahn, the German rail network, and said it expected sales of about DM1.1bn ($645m) this year.

Bombardier said yesterday that if the sale went ahead, it would continue to supply the German market and it hoped to build on DWA's traditional links with eastern Europe and the former Soviet Union.

COMPANIES AND FINANCE: ASIA-PACIFIC

Japanese carmaker resumes interim dividend as cost cuts and exports lift results

Nissan trebles first-half net profit

By Michiyo Nakamoto in Tokyo

Buoyant exports, cost cuts and a weaker yen contributed to a firm rise in first-half profits at Nissan, despite weak demand at home.

Nissan said it would pay an *interim dividend* for the first time in six years, as parent net profits more than trebled in the period, from Y11.6bn to Y38.5bn ($310.8m).

However, the company warned that operating profits in the full year would be lower than initially forecast, because of the difficult market environment in Japan and the resulting rise in marketing costs.

Operating profits for the 12 months to March are now forecast at Y100bn rather than Y120bn because of a rise in marketing support costs of Y35bn. The company plans to offset this through cost cuts. A favourable exchange rate is also expected to help.

Nissan expects a 24 per cent increase in pre-tax profits in the full year, from Y81bn to Y100bn, and a 7 per cent rise in net profits, from Y51.3bn to Y55bn, on flat sales of Y3,700bn.

Sales in the first half rose from Y1,737.6bn to Y1,776.1bn in spite of a 6 per cent fall in domestic sales.

Recurring profits rose 47 per cent to Y45.3bn, largely as a result of the weaker yen and cost-cutting measures.

Nissan faced pressure in the domestic market, where shipments fell 5.8 per cent amid weak demand. The company had some popular models, such as the Elgrande van and the Stagea station wagon, but sales of luxury models such as the Cima, and its basic products such as the Sunny, were disappointing.

As a result Nissan had to spend more on marketing than it had anticipated. In the second half the company would continue to need substantial marketing support as inventory had built up, said Ed Brogan, industry analyst at Salomon Brothers in Tokyo. While new product launches were expected to help, "the domestic market will be less buoyant than they had hoped", Mr Brogan added.

Although exports climbed 26 per cent, Nissan did not perform as well in the US as it had expected. New model launches are expected to help the company's second-half performance in the US, but it does not anticipate making up for the first-half decline because of fierce competition.

Exports to Asia are expected to suffer from the turmoil in Thailand, where sales at Nissan's joint venture fell to one-quarter of previous levels.

In contrast with the disappointing North American figures, Nissan is on course to break even in Europe, where it has been lifted by firm demand for the Primera and improvements at its Spanish production plant.

Filling up at half-time: workers take a lunch break at Nissan, which reported buoyant interim exports Glyn Genin

Plea to state as L & T declines

By Krishna Guha in Bombay

Larsen and Toubro, one of India's biggest construction groups, yesterday called for more government investment to "pump-prime" the economy as pre-tax profits fell 2 per cent to Rp2.27bn ($62m) in the first half.

L & T blamed a "difficult business environment", adding that "there have been hardly any investments or new projects" in power, oil, gas, cement or steel.

J. P. Nayak, vice-president operations, said the government had made a mistake by cutting investment to control the fiscal deficit. "The squeeze has come on capital expenditure," said Mr Nayak. "That is sacrificing our future growth." He added: "Some pump-priming is clearly required."

The company's sales rose 11 per cent to Rp26.2bn in the six months to September 30 on higher volumes. L & T sold 2.9m tonnes of cement – up 31 per cent on 1996.

Operating costs rose 13 per cent due to increases in power tariffs, coal and diesel prices. Depreciation charges also rose sharply.

However, Larsen and Toubro refinanced a large chunk of its high interest debt, cutting interest charges by 41 per cent to Rp370m. The company also benefited from a lower tax bill.

Mr Nayak defended L & T's refusal to concentrate on a single core activity – the company is involved in cement, engineering and construction, electrical products and construction equipment. But he added that the company was "restructuring" to ensure it was "globally competitive in each of our chosen areas of activity".

In the past six months Larsen and Toubro has floated off its software division and declared its intention to sell out of shipping.

It has set up joint ventures with Komatsu of Japan and Case Corporation of the US to provide equipment technology – and with Ramboll, Hannemann & Hojlund of Denmark in infrastructure.

Analysts said L & T faced weak demand in every market – and over-capacity in the cement industry. But Mr Nayak said consolidation in the industry would improve profits.

Korean bottling plants acquired by Coca-Cola

By John Burton in Seoul

Coca-Cola yesterday acquired drinks bottling plants from South Korea's Doosan group for Won432bn ($441m) in one of the nation's first foreign takeovers.

Although Korea has traditionally discouraged foreign takeovers on nationalistic grounds, the country's economic problems are forcing highly-leveraged conglomerates to sell assets to international companies eager to gain an expanded share of the domestic market.

The Coca-Cola deal comes two weeks after a bid by Proctor & Gamble for Ssangyong Paper, a leading producer of disposable nappies and toilet and tissue paper. P&G has bought nearly 25 per cent of Ssangyong Paper for $60m and is offering to raise its stake to 51 per cent by the end of the year.

Doosan has been producing and selling Coca-Cola beverages in the Seoul metropolitan area since 1963 through Doosan Beverage, which merged last month with its sister subsidiary, Oriental Brewery.

The disposal of its soft drink bottling facilities comes as Doosan restructures operations to reduce its debt burden of nearly seven times equity. Doosan has recently sold stakes in its joint ventures with 3M, Kodak and Nestlé.

Oriental Brewery predicted the sale of the bottling plants would result in an extraordinary gain of Won220bn. Korea's once-dominant brewery reported a loss of Won96.4bn in 1996 as it lost market share to Chosun Brewery, its main competitor.

The acquisition of the Doosan plants is part of a plan by Coca-Cola to obtain direct control of production and distribution in Korea, which would cut costs by rationalising bottling and marketing operations. The US group plans to invest a further $400m over the next five years in its Korean operations.

In March, Coca-Cola said it would become the sole bottler for the southern part of Korea, replacing three independent bottlers who formerly handled production in that region. Doosan is responsible for northern Korea. Coca-Cola claims 59 per cent of Korea's soft drink market.

Coca-Cola's plan has provoked controversy among its licensed bottlers, which have protested against the loss of business. One bottler, Woosung Foods, went bankrupt after its contract ended.

The US group has been engaged in a legal battle with Bumyang Foods, whose contract is due to expire at the end of this year. Bumyang claimed Coca-Cola was exerting pressure to end its contract by threatening to withhold Coca-Cola concentrates.

Softbank lifts profits forecast

By Paul Abrahams in Tokyo

Masayoshi Son, president of Softbank, the troubled Japanese media conglomerate, yesterday announced changes to his company's financial reporting that would boost its forecast for net profits by Y3.5bn ($28m) this financial year.

Without the accounting change, the details of which were not given, the group would have reported lower profits.

Even despite the change, Softbank's net profits would rise only 4.5 per cent from Y9.09bn to Y9.5bn.

*Mr Son also said the full-*year sales forecast had been reduced by Y40bn, partly because of falling product prices at Kingston Technology, the US memory chip manufacturer, in which Softbank has an 80 per cent stake.

Turnover would also be hit by Microsoft's decision to delay the launch of Windows 98 from February until May, after the end of Softbank's financial year.

Softbank is Japan's largest distributor of personal computer software with a market share of about 80 per cent.

The company's turnover would increase 42 per cent from Y359bn to Y510bn, helped by acquisitions, particularly in the US, while pre-tax profits excluding exceptionals would rise from Y27.88bn to Y28bn.

However, earnings per share would fall from Y124.25 to Y92.76, because of rights issues.

Softbank reported consolidated first-half net earnings of Y2.36bn on sales of Y224.8bn, and pre-tax profits excluding exceptionals of Y6.34bn. Earnings per share were Y23.10.

This was the first time Softbank had disclosed interim profits for the group, rather than for the parent company alone. No pro forma figures were given.

Sime Darby sees threat from Asian slowdown

By James Kynge in Kuala Lumpur

Sime Darby, Malaysia's largest multinational conglomerate, will be affected by the expected slowdown in growth in Asia next year and by loan problems in the company's financial division.

Nik Mohamed Nik Yaacob, chief executive, acknowledged that customers of the conglomerate's stock-broking unit, Sime Securities, had lost "quite substantial amounts of money" during the recent stock market fall, but said the borrowings of these customers were fully collateralised.

"These losses are covered by collateral ... If there is a debt [owed] to Sime Securities, then it will be collectable," he said.

Sime Bank, one of the company's most profitable operations, will also be hit by Malaysia's financial crisis. The bank is regarded by analysts as vulnerable to the deflation of Malaysia's asset bubble, which includes easing property prices in an oversupplied market, falling share prices and a contraction in consumer spending.

The bank's loan growth of 70 per cent last year was much higher than the average of nearly 30 per cent. Now that non-performing loans must be reported three months after interest payments lapse – compared with six months previously – the level of declared bad debts may rise from about 3 per cent in June this year, Mr Nik Mohamed said.

"If non-performing loans go up to 12-13 per cent [next year], as industry analysts expect, it would result in a M$120m [US$21.6m] loss," he said, referring to the loss derived from lapsed interest payments. He was confident that M$1.93bn in shareholders' funds would prove adequate to cover any bad debts.

The problems at the financial services arm, which contributed 29 per cent of pre-tax profits in the last financial year, will undoubtedly affect the group's overall earnings. Tractors Malaysia, the heavy equipment and motor vehicle division which contributed 26 per cent of pre-tax profits, is also likely to be hit.

Tractors Malaysia imports almost all its heavy machinery and cars. The sharp depreciation of the ringgit, a government campaign to cut down on heavy machinery imports, and a decision to defer several large infrastructure projects would have a clear effect on earnings, Mr Nik Mohamed said.

However, there were some grounds for optimism. The plantations division, which contributed 8 per cent of pre-tax profits, is expected to benefit from the ringgit's depreciation and the fact that relatively low rainfall in the region has helped drive up the price of palm oil, of which Malaysia is the world's largest producer.

Mr Nik Mohamed expected the region's economic downturn to last one or two years, but added that the group would emerge from it strongly. It was studying the opportunities for expansion, possibly in finance, into Thailand and Indonesia.

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Munich Re chief issues confident forecast

By Andrew Fisher in Munich

Munich Re, the world's largest reinsurance group, expects a sharp rise in profits this financial year as a result of its recent restructuring and expansion moves.

Hans-Jürgen Schinzler, the chairman, yesterday gave no figures, but said net profits should grow in line with premium income, assuming the company was not hit by any big natural disasters.

This would mean an increase of about one-third from the DM699m ($409m) earned in the year to June 30 1997, which was up 17.5 per cent on the previous year.

Premium income should rise to DM43.5bn in the year to June 30 1998, from the DM32.2bn of 1996-97. This year's figure was 11 per cent higher than the previous period, although the rise would have been 3.4 per cent without the company's acquisitions.

From 1999, the company will report its results for the calendar year.

Mr Schinzler said the big increase in this year's premium income would reflect the first-time inclusion of American Re, bought for $3.3bn in 1996, and the regrouping of its direct insurance interests into the newly formed Ergo company, in which it will hold a 54 per cent stake.

Reinsurance will then account for 55 per cent of total activities and direct insurance for 45 per cent.


Hans-Jürgen Schinzler: big rise in premium income

Mr Schinzler said Munich Re wanted to overtake General Re to become the biggest reinsurer in the US, although he did not say how quickly this might happen.

Having integrated its existing US business with American Re, the German company now expects US premium income of more than $3bn this year.

Munich Re was also exerting itself to improve its position in markets where it was not yet in first or second place. This included France, although Mr Schinzler said growth in that market would most likely be organic.

He said acquisitions in reinsurance did not have a high priority. But he added: "We are open for all options."

One such option was the recent decision to buy 20 per cent of Reale Riassicurazioni, the Italian reinsurer. Munich Re hoped later to buy a majority of Reale RI and combine it with its Milan subsidiary.

Mr Schinzler declined to be drawn on dividend prospects, although he noted that the payment had been increased in each of the past five years.

Earnings per share last year were up from DM14 to DM15.65. Underwriting profits improved 35 per cent to DM776m, with profit on investments up 19 per cent to DM9.4bn.

Group investments, totalling DM148bn, were DM28bn higher, mainly as a result of the addition of American Re and last year's deal in which Munich Re took full control of DKV, Germany's leading health insurance company, from the Allianz insurance concern in a shareholding exchange.

EUROPEAN NEWS DIGEST

Borealis buoyed by strong demand

Borealis, Europe's largest producer of raw materials for the plastics industry, surged in the first nine months on the back of strong demand and efficiency improvements, according to its interim statement. Pre-tax profits rose from DKr456m last year to DKr1.32bn ($203m) as turnover increased from DKr11.54bn to DKr13.56bn. Output of polyolefins and olefins increased 6 per cent to 3m tonnes. Prices rose 14 per cent, but so did the cost of raw materials, the company said. The group is owned by Norway's Statoil and Finland's Neste, but Neste signed a letter of intent in September to sell its share to OMV, of Austria, and Abu Dhabi's International Petroleum Investment Company. *Hilary Barnes, Copenhagen*

■ ISRAEL

BARS, Evergreen form joint unit

BancAmerica Robertson Stephens, the US investment bank, yesterday launched a joint company with Evergreen Capital Markets, the Israeli venture capital fund, to boost investment in high-growth Israeli technology companies. Over the past two years, BARS and Evergreen carried out 12 deals involving Israeli technology companies, worth between $600m and $700m. Analysts say a total of some $1bn has been raised by venture capital funds for Israeli companies this year. Stephen Schweich, managing director of BARS London, said the new company aimed to shift financing activity for Israeli companies to Europe from the US, where about 90 Israeli companies are traded. *Avi Machlis, Tel Aviv*

■ ENGINEERING

Rheinmetall delays fundraising

Stock market unease has forced Rheinmetall, the German engineering group, to postpone the second, DM15m ($8.8m) tranche of its capital-raising until 1998. However, the group sought to assure investors yesterday that results for the current year remained positive, with full-year net profit forecast at DM100m. Rheinmetall had planned to raise a nominal DM13.5m by issuing 2.7m preference shares, with a greenshoe option of 300,000 preference shares. It is already raising a nominal DM15m via a one-for-10 rights issue. *AFX News, Frankfurt*

Consob setback at Banca di Roma

By James Blitz in Rome

Plans to refinance and privatise Banca di Roma, Italy's second largest banking group, hit a fresh snag yesterday when it emerged that the country's stock market authority had revised downwards the amount of untied capital the bank claimed to have on its books.

With Banca di Roma planning a public offering in two weeks, Consob, the stock market supervisory body, said it had disagreed with the entry for free capital written into the bank's six-month accounts to June 30.

Consob yesterday gave the final go-ahead for the publication of the refinancing prospectus, which will see Iri, the state holding company, selling its 36.5 per cent stake in Banca di Roma.

However, it disputed the entry for free capital, a figure which shows the level of cash which the bank says is untied to risks or obligations of any kind.

Consob said the bank's entry, although negative, was underestimated; and has revised it down to between L8,000bn ($4.78bn) and L9,000bn of liabilities.

Consob's revision of the accounts is the latest setback for Banca di Roma as it approaches the deadline for the share offer.

The bank has also been hit by uncertainty over who will form the core of strategic shareholders, after Banca Agricola Mantovana and Electronic Data Systems of the US (EDS) both withdrew.

This month's operation will involve a capital increase of up to 2bn new shares, priced at between L1,200 and L1,700 each.

Gas price curb hits Repsol growth

By David White in Madrid

Reduced earnings from gas because of a government price curb limited net profits growth at Repsol, the energy group, to 2.5 per cent in the first nine months of the year, to Pta89.16bn ($618.6m).

This was in spite of strong rises in the group's main oil operations. The net result was slightly below most analysts' forecasts, although operating profit was above expectations, rising 14 per cent to Pta163.41bn.

This was still below the growth of turnover, with operating revenues expanding by more than 17 per cent to Pta2,322bn. However, Repsol said its net cash flow provided a better indication of its performance, up 26 per cent to Pta231.79bn.

Operating profits in the gas business fell 39 per cent to Pta29.04bn in spite of increased sales. The company said this was mainly because of a price freeze on bottled butane for households.

The negative impact of the price decision was compounded by a mild winter.

In contrast, exploration and production activities yielded a 62 per cent earnings increase to Pta33.87bn. The company said the dollar's strength against the peseta had boosted income, more than compensating for lower international crude oil prices.

Astra, the Argentine energy group in which Repsol has built a 47.5 per cent stake, also contributed to the profit growth. Production was 28 per cent up on the same period last year, with the inclusion of output from additional gas fields in Argentina.

Earnings from refining and marketing also rose strongly, showing a 45 per cent increase to Pta81.68bn – again partly because of the dollar exchange rate as well as improved international refining margins.

Chemicals showed a more modest increase of under 4 per cent in operating profits to Pta19.6bn. The group said higher feedstock prices for derivatives had offset a strong rise in base chemicals.

● Spain's restructured Ercros chemicals group gave evidence of its recovery by increasing net profits for the first nine months by 53 per cent to Pta1.01bn.

This surpassed an earlier earnings forecast of just under Pta1bn for the whole year, compared with Pta737m in 1996.

The company, at one stage the flagship of the Kuwait Investment Office's industrial empire in Spain, was in receivership from 1992 to 1994. The KIO's Spanish investment arm Grupo Torras now holds 14 per cent.

Operating profits climbed by 28 per cent to Pta1.6bn on sales that were just under 9 per cent up at Pta28.1bn.

Ercros attributed the strong profit growth to savings in production costs and a concentration of its activities on high-margin products.

Prices had recovered in some sectors in the third quarter, it said.

German group targets SE Asia

By Peter Marsh

ZF Friedrichshafen, the German automotive components company, is seeking to double its sales in south-east Asia and the Americas by the end of the century.

With expected sales this year of DM8.6bn ($5bn), the company expects to treble its workforce in south-east Asia excluding Japan to about 3,000 by 2000.

Klaus Bleyer, chief executive, said that in spite of the recent economic turmoil in the region, south-east Asia provided good growth prospects for ZF because of the activities of car and commercial vehicle companies in setting up plants there.

The privately-owned ZF expects annual sales in the region to expand from DM400m last year to DM1bn by the end of the century.

Sales in North and South America are set to climb from DM1.1bn to DM2bn. Over the same period, sales in Europe are projected to rise by only DM1.5bn, to DM7.5bn, reflecting the company's high market share in the continent and relatively low growth in the vehicle industry.

The company is one of the world's biggest suppliers of gearboxes and driveline, steering and chassis components. It is particularly strong in supplying German companies such as Mercedes-Benz, Volkswagen and BMW.

It also supplies agricultural and construction equipment makers including Agco, Caterpillar, Liebherr, Deere and Weyhausen.

Last year it recorded its largest ever loss of DM134m on sales of DM7.5bn. Most of this was caused by financial problems in its South American operations in 1995, which resulted in ZF closing two plants in the region and reducing staff by 2,000.

Mr Bleyer said that as result of new contracts and a reduction in costs, after-tax profits for 1997 would be close to "normal" levels, at about DM150m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 11.11.97: Pool purchase price £/MWh	Pool Prices for Trading on 14.10.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	20.76	15.49	15.11	1.63
0100	20.76	10.80	10.80	0.00
0130	20.76	15.21	14.83	1.63
0200	20.76	15.48	15.11	1.63
0230	20.76	15.49	15.11	1.63
0300	19.18	15.48	15.11	1.63
0330	20.76	15.49	15.11	1.63
0400	20.76	15.49	15.11	1.63
0430	20.76	15.49	15.11	1.63
0500	19.18	15.49	15.11	1.63
0530	10.48	10.46	10.46	0.00
0600	10.47	10.46	10.46	0.00
0630	10.47	10.46	10.46	0.00
0700	20.31	26.77	26.40	1.63
0730	26.51	27.97	27.77	1.63
0800	28.60	31.78	31.74	1.63
0830	28.60	58.58	63.61	1.63
0900	31.25	53.61	53.61	1.63
0930	31.26	32.59	32.60	1.63
1000	31.27	32.87	32.70	1.63
1030	36.36	32.58	32.58	1.63
1100	36.36	32.59	32.58	1.63
1130	36.35	32.81	32.88	1.63
1200	28.74	50.41	50.54	1.63
1230	28.73	52.22	52.29	1.63
1300	28.73	51.81	51.78	1.63
1330	28.73	32.01	31.84	1.63
1400	28.73	31.83	31.60	1.63
1430	28.74	32.72	32.44	1.63
1500	31.27	32.68	32.39	1.63
1530	31.32	31.66	31.38	1.63
1600	38.84	31.92	31.73	1.63
1630	55.71	32.53	32.58	1.63
1700	78.12	33.18	33.38	1.63
1730	126.74	52.58	52.74	1.63
1800	122.38	52.93	53.24	1.63
1830	65.65	39.38	41.49	1.63
1900	52.45	76.47	79.51	1.63
1930	41.00	77.89	81.19	1.63
2000	38.17	55.85	57.61	1.63
2030	38.60	42.72	43.09	1.63
2100	31.25	44.50	44.31	1.63
2130	28.60	28.88	28.52	1.63
2200	28.60	28.78	28.41	1.63
2230	28.60	28.76	28.39	1.63
2300	26.19	23.61	23.23	1.63
2330	18.86	23.81	23.29	1.63
2400	20.31	14.81	14.53	1.63

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement, which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of offsetting the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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A tale of intrigue at Trustor

Five months ago, Lord Moyne, of the Guinness brewing dynasty, was barely known in Scandinavia. Since then, the one-time parliamentary candidate and merchant banker has earned notoriety for his stewardship of Trustor, a small Stockholm investment company now engulfed by fraud allegations.

Shortly after Lord Moyne bought a 52 per cent stake in Trustor in June, about SKr620m ($83.8m) of the company's assets were transferred to London from its Stockholm bank accounts. According to police, virtually the entire amount then disappeared.

Police say they have traced about SKr450m, some to personal accounts held by Lord Moyne and others linked to Trustor.

About SKr170m is still missing – spent, according to the Swedish prosecutor handling the case, on "luxury living".

Where does this leave Lord Moyne? Any transfer of money from Trustor accounts to non-company accounts would be a prima facie criminal offence, as well as a breach of Swedish stock market rules.

Either he is heavily involved in what, at least, is financial mismanagement and, at worst, illegal asset stripping; or he is the innocent victim of a group of rogue employees and associates.

Two of Lord Moyne's advisers at Trustor are being held in Swedish custody on suspicion of breaching shareholder trust. A third, a convicted fraudster, is wanted for questioning.

The Guinness peer has not responded to interview requests. His silence was, however, broken by a statement on Friday which said that he had been let down by his Swedish advisers and assistants. He insisted he had full control over Trustor's assets, and no money was missing.

Lindsay Smallbone, Trustor's managing director and close business associate of Lord Moyne, has resigned, and Lord Moyne has himself vowed to quit and sell his shares "when appropriate".

If a crime has been committed, then it has been a fairly crude one. The blatant nature of the alleged fraud – which could scarcely have escaped the notice of auditors – has perplexed investigators. Moreover, Lord Moyne, who paid SKr250m for his stake in Trustor, would seemingly stand to lose money from the expected drop in Trustor's share prices once the stock (which has been suspended for 11 days) resumes trading.

Trustor is an underperforming company, which only came to stock market attention earlier this year when Lord Moyne acquired a controlling stake from Per-Olov Norberg, then managing director.

Why he did so remains unclear. Trustor's balance sheet is peppered with restructuring reserves, deferred tax claims, currency valuation reserves and all manner of items that muddy the real shareholder funds in the company. It was, however, cash-rich after selling its main asset, a stake in Kanthal, the steel engineering group.

Proceeds from the disposal made Trustor's first set of figures with Lord Moyne as chairman look healthy. In the first half of the year, pre-tax profits rose from SKr83m to SKr729m, of which SKr670m accrued from the Kanthal disposal.

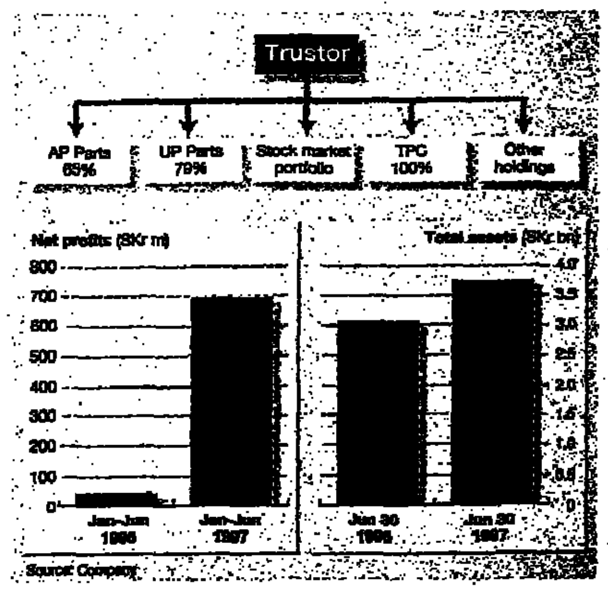
Trustor told investors in August it planned to build a portfolio of listed equities on the stock exchange "with a low level of risk", and that SKr150m had been invested since the end of June.

Certainly, the figures looked robust when compared with the SKr336.5m operating loss reported for 1996. In the first half, moreover, operating profits had fallen from SKr103.8m to SKr74.4m as Trustor's two main subsidiaries – United Parts Group and AP Parts International – turned in a mixed performance.

It was then that Coopers & Lybrand was hired to conduct a management study of the future prospects of UP and AP. Even before they had recommended a course of action, Trustor warned: "The possibility that such action might involve not-insignificant capital losses cannot be excluded."

The words being exchanged in the Trustor boardroom were far less convoluted. One director threatened to resign unless the company clarified its strategy. Misgivings were also expressed over the role of several so-called assistants working via Trustor's Stockholm headquarters.

Minority shareholders also began to voice doubts over the botched attempt by Trustor to acquire control of Amer, the Finnish sports goods manufacturer. It also tried and failed to buy a 50 per cent stake in Interbank, the Finnish bank, for SKr150m.



While the suspected fraud is not large by international standards, it has nevertheless shaken confidence in the controls and regulations governing the conduct of investment funds in Sweden, and the protection offered to minority shareholders.

The Stockholm stock exchange will consider changing its rules to allow it to investigate purchasers of large stakes in listed companies who are new to the market.

Questions are being asked of Sweden's archaic weighted share system, which gives certain classes of shares many more votes than other shares.

This system has enabled powerful industrial interests, such as Sweden's Wallenberg family, to control large companies with relatively small capital stakes. It also enabled Lord Moyne to gain control of Trustor by purchasing just 17 per cent of the equity.

Publishers acting for Lord Moyne said that he would only be available for interviews concerning his new book *Requiem for a Family Business*, his account of the Guinness scandal of the mid-1980s.

He now has more pressing queries to answer.

Tim Burt and Greg McIvor

EUROPEAN NEWS DIGEST

Bertelsmann, Kirch deal closer

Bertelsmann and Kirch, the German media groups, have paved the way for official scrutiny of their digital pay-TV partnership by signing the final contracts to set up the new operation. The deal will be passed to European and German competition authorities, which have expressed scepticism over co-operation between the two companies and Deutsche Telekom.

Reimut Jochimsen, head of a new media concentration commission overseeing the changing television structure in Germany, said the deal "could create a new monopoly in digital television". He said the field should be left open to competition. Karel van Miert, the European Union competition commissioner, last week warned the three companies they risked fines if they tried to launch digital TV without notifying the commission. Under the deal, announced at the weekend, Bertelsmann and Kirch will put their pay-TV activities into Premiere, a jointly owned subscription channel. CLT-Ufa, the Luxembourg-based broadcaster in which Bertelsmann owns 40 per cent, will pay around DM400m ($234m) to Kirch to cover start-up losses on Kirch's DF-1 pay-TV venture. Premiere will require investments of DM2.5bn, the aim being to obtain between 3m and 4m subscribers by 2001. Bertelsmann and Kirch also plan to work with Deutsche Telekom on a single decoder system. Michael Dornemann, a Bertelsmann director, said the deal would not be anti-competitive.

Andrew Fisher, Frankfurt

■ TELECOMS

Bezeq accused of deception

Bezeq International, a subsidiary of Israel's state-owned telecommunications company Bezeq, distorted prices and deceived the public to maintain its share of the international calls market opened to competition earlier this year, according to Israel's anti-trust commissioner. Following an investigation, the anti-trust authority said Bezeq International conducted a "deliberate policy of deception relating to prices it charged" to beat the competition. The policy, said the authority, aimed to distort rates charged for international calls. According to company documents seen by the authority, the company's chairman boasted a pricing policy "in which we are higher [than the competition] but show that we are lower". Bezeq recently said it held only 50 per cent of the international calls market since its monopoly was broken last July.

David Tadmor, the anti-trust commissioner, submitted his conclusions to determine if legal action is justified.

Avi Machlis, Jerusalem

■ EGYPT

OGFI to buy state firms

Egypt's leading private-sector manufacturer of domestic appliances is finalising plans to buy two state-run companies in a $100m joint venture with a foreign group. The Olympic Group Financial Investment Company expects to seal a deal with the government within two months which will give it control of two public-sector manufacturers of domestic appliances. OGFI has 85 per cent of the Egyptian market in domestic heaters and 74 per cent of the market in water heaters. The deal will see its dominance extend across the spectrum of domestic appliances.

OGFI is in joint-venture talks with an unnamed company in the US and another in Europe, with a view to choosing one. It intends to take a minimum 51 per cent stake in the new company. To secure the purchase, OGFI plans to raise $30m-$50m through a share issue.

Mark Huband, Cairo

■ AUTOMOBILES

Peugeot agrees Guangzhou sale

Peugeot, the French carmaker, has conditionally agreed to sell its 22 per cent stake in Guangzhou Peugeot Automobile, controlled by the Guangzhou municipal government. Denway Investment, which owns a 46 per cent stake, said yesterday the city government would hold the stake until a new partner was found. "Guangzhou Peugeot is now discussing with two foreign car manufacturers from Japan and Germany," it said. *AFX-Asia, Hong Kong*

■ BOTTLED WATER

Perrier buys San Pellegrino

Perrier Vittel, the French sparkling water group controlled by Nestlé of Switzerland, is to acquire full control of San Pellegrino, Italy's best-known mineral water company. Perrier, which already owns 49 per cent of the Italian company, said yesterday it had agreed to buy the remaining 51 per cent in San Pellegrino from the Mentasti family. No price was given. *Paul Betts, Milan*

CWC in discussions with US internet services providers

By John Gapper, Media Editor

Cable & Wireless Communications is talking to several US suppliers of software and internet services in order to offer its 3.8m cable customers an array of interactive services.

CWC, which announced its first set of results following its creation in a merger of Mercury Communications and three cable companies in April, said it intended to provide internet web television as well as home shopping services.

It said it might reach a deal with either Web TV, owned by Microsoft, or Navio Communications, an Oracle subsidiary, to provide software for digital set-top boxes that it hopes to place in 1m cable homes by 2000.

CWC said it was also talking to @Home Networks, a US group owned by investors including the cable company Comcast, about providing high-speed internet access. However, it might also license technology to provide the service itself.

The disclosures follow a two-year deal between CWC and the satellite television company British Sky Broadcasting, which means both companies will launch digital pay-per-view film services at the same time next spring.

The developments show that CWC, which includes former cable franchises of Bell Cablemedia, Nynex Cablecomms and Videotron, is taking an ambitious view of the range of services that UK customers are likely to want from suppliers.

Graham Wallace, chief executive of CWC, said the agreement to devote up to 70 digital channels to the Sky Box Office pay-per-view service was non-exclusive. This meant CWC could also take rival pay-per-view services if it wanted.

Mr Wallace said it was testing digital services with 500 customers in London before ordering set top boxes for a mass launch. It is likely to use Microsoft or Oracle software rather than BSkyB's Open TV in its box.

He said its deal with BSkyB would allow customers taking its Headstart package of telephony plus five cable channels for £11.99 a month to take the Sky Box Office service without subscribing to a Sky premium channel.

CWC, which is spending £50m on a marketing campaign, disclosed pro forma pre-tax profits of £65m (£32m) for the six months to September, before an exceptional restructuring provision of £200m.

Lydia van der Meer

Dick Brown, chairman (left), and Graham Wallace

Textron cuts a £137m deal for Ransomes

By David Blackwell

Ransomes, the maker of mowers and grass-cutting equipment in Suffolk for 200 years, is being bought by Textron, the diversified US group that makes Bell helicopters.

Textron, which has agreed to pay £137m ($227.4m) cash, makes grass-cutting equipment in the US under the Jacobsen brand, as well as E-Z-GO golf carts. It said yesterday that the manufacture of both brands was being considered in the UK.

Once Europe's largest plough maker, Ransomes ran into trouble after a dash for growth in 1989 when it borrowed heavily to buy Cushman of the US for £103m.

Early in 1996 a rights issue at 48p a share raised £37m and cut gearing from more than 700 to just under 60 per cent. However, in March this year the shares fell sharply to 32p after it warned of a fall in demand from European municipalities.

In August the shares jumped to 51p on news of an approach. At least three other companies apart from Textron are understood to have been interested.

John Clement, Ransomes' chairman for the past four years, yesterday said the group was comparatively small in the world market. He described Textron as "a very good company with a great record. They understand the business and we think it is a pretty good fit."

Textron, which has annual sales of $10bn, is offering 60p for each ordinary share, a premium of 107 per cent to the price on August 20 and valuing the issued ordinary capital at £83.2m. Its offer of 95p per convertible preference is worth a further £53.8m.

The US group said the combined business of Ransomes, E-Z-GO and Jacobsen would have sales of about $800m a year. This would enable it to keep on a more equal footing with Tora and John Deere in the US, as well as with Japanese groups such as Yamaha.

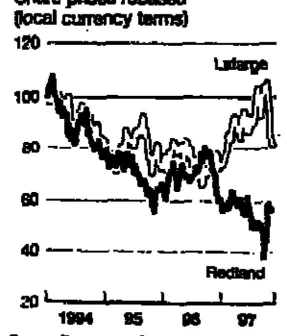
LEX COMMENT

Redland

In the struggle for the future of building materials group Redland, the Braas family holds a strong hand. They represent the 43.5 per cent minority holding in RBB, the European roofing business which accounts for about two-thirds of Redland's pre-tax profits. But their influence extends further: they have a preemption right should Redland sell its majority RBB stake; and if Redland were taken over, onerous dividend distribution conditions, which favour the minority, would kick in. Right now, the family are centre stage, with suitors tumbling over themselves to form alliances with them. A tie-up is not inevitable: the family and their partners have considerable financial means independent of their RBB interests. So even the hefty sum of about £850m needed to buy Redland's RBB stake should not prove beyond their means. There is, however, a big snag: their ability to achieve independence for RBB is ultimately out of their hands. They will only escape Lafarge, which has made an offer for the entire group, if the sum of the offers for Redland's different parts trumps Lafarge's offer.

Redland and Lafarge

Share prices rebased (local currency terms)



Source: Datastream/ICV

That still looks a tall order, even if the Braas minority, for its part, pays up generously. Redland will probably cobble together an alternative package to offer shareholders. But unless some perky valuations emerge for the aggregates businesses, Lafarge still looks set to prevail. With the French group seemingly intent on keeping RBB, the Braas family's hopes for independence look slim.

Intrum could become private

By George Graham

Intrum Justitia, the leading European debt collection agency, which issued a profit warning this summer could be taken private.

The board said it was "in preliminary discussions which may or may not lead to an offer being made for the company".

Intrum and its advisers declined to comment on the identity of the potential bidder, or on whether it had received more than one approach.

Analysts believed the most likely outcome of the talks would be for Bo Goranson, Intrum's chairman, to increase his 34 per cent stake and take the company private. Other options may be considered.

Intrum's shares climbed 24 per cent yesterday to close at 91p, valuing the company at £104m ($173m).

Besides Mr Goranson's 34 per cent stake, 21 per cent is held by United News & Media, 16.5 per cent by Fidelity and 11 per cent by PDFM.

Intrum reported pre-tax profits of £5.5m for the six months to June 30, down a third on the same period in 1996. Besides weak sales in Germany and France, profits suffered from the strength of sterling. It is hoping for an improved performance in the second half, and believes it should benefit in the long term from moves to tighten up on late payment by businesses.

Intrum is being advised by Dresdner Kleinwort Benson.

Danka forms US alliance with HP

By Charis Gresser

Shares in Danka Business Systems jumped more than 7 per cent yesterday on news of a strategic alliance with Hewlett-Packard, the US computer group.

The deal involves Danka distributing and servicing the full range of HP LaserJet printers and scanners in the US. Discussions are under way to extend the alliance worldwide.

Danka's shares, which closed up 40p at 575p, have been shaken recently by downbeat trading statements from rivals, and have fallen 25 per cent since a 787p high this summer.

The distribution deal is not exclusive but Danka believed it would broaden its portfolio in the digital printer market.

This is still fledgling, accounting for less than 5 per cent of the US copier and printer market, but is growing fast. The move marks a change in Danka's direction – its core business is the sale and maintenance of photocopying equipment. But the company believes it can position itself as the main service provider for other office equipment, from printers to telephones.

Danka said it was impossible, at this stage, to gauge the financial benefits of the deal.

It is not investing cash in the alliance. Mark Vaughan-Lee, chairman, said: "We are making our salesmen available, and Hewlett-Packard are putting forward training programmes."

Profits rise only 2% as strong pound hits group sales of duty-free goods

BAA edges forward to £310m

By Michael Skapinker, Aerospace Correspondent

BAA, the airport group, said yesterday that the strength of sterling, along with regulatory changes, limited half-year pre-tax profits to a rise of only 2 per cent to £310m ($515m).

The group's problems were illustrated by a 6.3 per cent fall in the amount that each departing international passenger spent on liquor. Each international passenger also spent 3.6 per cent less on gifts, although spending on tobacco and perfume rose.

Russell Walls, finance director, said 70 per cent of BAA's duty and tax-free sales were made to foreign passengers returning home from the UK. "The price comparison in their minds is likely to be with the high street price back home in Milan and Paris," he said. Sterling had made BAA's duty-free goods look more expensive, particularly at Heathrow.

The shares fell by 16½p to 517½p as the City fretted about future challenges confronting BAA, which has seven UK airports, as well as interests in the US, Italy and Australia.

There is concern about the planned abolition of European Union duty-free in 1999, although BAA will be allowed to raise landing charges to mitigate the loss.

Analysts are also worried about the delay in the inquiry into the planned fifth terminal at Heathrow, which is now in its third year. Sir John Egan, chief executive, said Terminal Five would not begin operating before 2004, causing problems for passengers.

Sir John said the delay in building the terminal meant customer service problems at Heathrow were inevitable. "The unavoidable overcrowding will lead to problems with baggage handling, packed departure lounges and arrival halls, and delays in aircraft being able to disembark their passengers," he said.

The new regulatory regime affecting BAA's London airports cost the group £11m over the half year. The five-year regime means BAA can only increase airport charges at Heathrow and Gatwick by 3 percentage points less than inflation.

The good news for BAA was a 7.4 per cent increase in passengers in the six months to September 30. There was an 11.7 per cent increase at Gatwick to 15.9m, and a 4.5 per cent rise at Heathrow to 31.1m.

Sir John there were prospects for further involvement in airports in the US and Australia. However, he said BAA would probably be allowed to participate in German airport privatisations only as a minority partner.

After accounting for the £102m provision that BAA has made to pay the government's windfall tax, earnings per share were 13.2p, compared with 22.2p last time. Had it not been for the windfall tax, the change in interest capitalisation and the rephasing of airport charges, earnings per share would have been 24.1p.

Five seek details on R-R disposal

By Roger Taylor

Ford, General Motors, BMW, Daimler-Benz and an independent management team with links to Fiat are understood to have registered an interest in the sale of Rolls-Royce Motor Cars, part of Vickers, the UK engineering group.

However, Ford said it had no intention of making an offer for the company. It said it would be natural for it to want to see the sales documents to keep up with events in the industry.

Lazard Brothers, the merchant bank, is handling the sale and plans to issue a memorandum to interested parties before Christmas.

But the process could be interrupted if Mayflower Corporation, the UK car components group, carries out its threat of a hostile bid for Vickers. Mayflower wants to sell Vickers' defence arm and keep its other businesses, including Rolls-Royce, and is expected to make its move this week.

BMW, which makes the engines for the next generation of Rolls-Royce cars, is seen as the most likely buyer in any auction.

Daimler-Benz, which is advised by JP Morgan, said it did not want to get into a bidding war against BMW but would be interested in Rolls-Royce if BMW dropped out.

Fiat has made clear it is not bidding for Rolls-Royce. However an independent management team with links to Fiat is understood to be interested.

General Motors refused to comment. However, analysts said it made sense for it to take an interest as it was a supplier to Rolls-Royce.

Vickers also confirmed yesterday that it had won a £110m ($183m) order to supply Oman with 20 Challenger 2 tanks. It hopes soon to receive confirmation of an order for 40 tanks from Qatar. Its shares rose 8p to close at 257p. Mayflower shares fell 2½p to 173½p.

Jefferson sells US drum unit

By Roger Taylor

Jefferson Smurfit Group, the Irish packaging company, is selling its US plastic drum division for $70m to Russell-Stanley Holdings.

The move follows a review of Smurfit Packaging Corporation, its wholly-owned US arm, which concluded the business should be sold as part of its strategy of focusing on paper-based products.

The group is also conducting a review of its other US business, Jefferson Smurfit Corporation, of which it owns 46.5 per cent. This review is due to be completed before the end of the year and Michael Pettigrew, company secretary, said further disposals could follow.

In a separate process, the company is deciding how to rationalise its two US businesses and is expected to either sell its holding in Jefferson Smurfit Corporation or take full control.

The plastic drum division has five plants in the US and last year had sales of about $65m. Following the deal, Russell-Standly will have annual sales of some $300m. The disposal will result in a $40m exceptional profit.

Redland further rebuffs Lafarge

By Andrew Taylor

Redland yesterday urged shareholders to continue to reject a £1.67bn ($2.77bn) hostile offer from Lafarge, after the French building materials group disclosed it had received acceptances for only 0.71 per cent of its British rival.

Lafarge stressed that it was only the first closing date for its offer, which is being extended until November 21.

Bertrand Collomb, Lafarge chairman and chief executive, said: "The level of acceptances is consistent with this stage of an offer. We remain of the view that our offer of 320p cash [a share] represents a good opportunity for Redland's shareholders, not least given recent stock market volatility."

Redland shares edged up ¼p to 331¼p yesterday.

Rudolph Agnew, Redland's chairman said: "The low level of acceptances demonstrates the wholly inadequate nature of Lafarge's offer, which undervalues Redland's valuable asset base and unique strategic positions."

He said talks were continuing with a number of parties interested in making rival offers for parts of the group's substantial European and North American aggregates operations and its 56.5 per cent stake in RBB, the large European roof tile producer.

About 10 groups are understood to have approached Redland. These include St Gobain, the French glass and building materials group, which is thought to be interested primarily in the RBB stake that has been valued by analysts at about £800m. St Gobain, said yesterday that it "does not exclude any option in relation to Redland".

No group, apart from Lafarge, is thought to have expressed an interest in purchasing all of Redland.

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RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BAA	6 mths to Sept 30	844	(742)	310	(304)	22.8※	(22.2)	4.9	Jan 23	4.5	-	12.4
CWC	6 mths to Sept 30#	1,103	(981)	135L♠	(43)	9.1L	(2.9)	-	-	-	-	-
Carr's Milling	Yr to Aug 30	100.9	(95)	3.65	(3.53♥)	30.6†	(31.7)	8.5	Jan 23	8	11.5	10.5
Channel Comms Φ	6 mths to Sept 30	5.81	(5.05)	0.595	(0.653)	3.63	(4.01)	1.3	Jan 31	1.2	-	3.8§
Critchley	6 mths to Sept 30	23.9	(23.3)	4.07	(3.71)	17.2	(16)	4.5	Jan 22	4	-	12.5
Filofax	6 mths to Sept 30	20.2	(21)	2.24	(2.06)	5.4‡	(4.8)	1.65	Mar 31	1.5	-	3.7
Henderson	6 mths to Sept 30	42.1	(37.1)	10.2♠	(10.8)	34.26	(33.91)	13.5	Jan 6	13.5	-	45
Independent Parts	6 mths to Sept 30	15	(12.5)	2.25	(1.96)	6.33	(5.5)	2.5	Dec 19	2.2	-	6.2
Oriental Restaurant	6 mths to Sept 30	3.69	(3.26)	0.701	(0.531)	5.1	(5.6)	1.2	Jan 19	1	-	3
Personal Number Φ	6 mths to Sept 30	1.22	(1.04)	0.227L	(0.738L)	1.47L	(14.52L)	-	-	-	-	-
Plasmon	6 mths to Sept 30	14.2	(15.6)	8.23L♠	(0.447)	42.13L†	(2.92)	nil	-	0.5	-	1.5
Renold	6 mths to Sept 27	92.7	(91.3)	11	(10.2)	13	(11)	3.1大	Jan 30	2.8大	-	8
Sidlaw	Yr to Sept 30	157.7	(289.8)	21♥	(7.27L♠)	26.9	(12L)	1.25	Feb 6	1	2.25	2
UK Estates	Yr to June 30	6.3□	(6.1□)	1.22♠	(0.36)	2.18†	(0.47)	0.45	Jan 5	0.2	0.6	0.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Empire Secs	Yr to Sept 30	135.45	(123.38)	3.5	(2.53)	1.85	(1.37)	0.82	Jan 6	0.78	1.07	1.03
Edinburgh Inca	Yr to Sept 30	42.17	(32.63)	0.111	(0.024)	0.13	(0.03)	nil	-	nil	nil	nil
Jupiter Geared	6 mths to Sept 30	-	(-)	-	(-)	-	(-)	1.5§§	Dec 31	1.463	-	2.863
Lowland	Yr to Sept 30	392.84	(338.99)	2.77	(3.06)	11.68	(12.88)	7.3	Dec 23	7	11.6	11
Perpetual Income	6 mths to Sept 30	129.8	(99.1)	4.57	(3.72)	2.6	(2.1)	2	Dec 5	1.75	-	3.64

Earnings shown basic. Dividends shown net except §Gross. Figures in brackets are for corresponding period. ※Excludes effect of windfall tax. #Pro forma. ♠After exceptional charge. ♥After exceptional credit. ‡On reduced capital. †On increased capital. ΦAim stock. 大Foreign income dividend. □Gross income. §§Second interim; makes 2.9p to date.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESSES FOR SALE

REPEAT CALL FOR TENDERS TO PURCHASE THE ASSETS OF "P. RAPANAKIS BROS SA", OF ASPROPYRGOS ATTIKIS GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9a Chryssosphiliotissis Str., Athens 10560, Greece, in its capacity as liquidator of "P. RAPANAKIS BROS SA", a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, by virtue of Decision 2148/ 17.3. 1997 of the Athens Court of Appeal

announces a repeat call for tenders

for the sale of the assets, as a single entity, of the company described below.

BRIEF INFORMATION

The Company was established in 1981 and became a S.A. in 1984. Its activities included the importation and standardization of fresh and frozen meat and fish. On 17.3 1997 the Company was placed under special liquidation.

ASSETS OFFERED FOR SALE

1. A plant in Lakka-Hatzi (11, Mornos St.) the area of which amounts to 22,272 sq.m. approximately, located approx. 600m, from the northern city planning area boundary. This includes buildings the total area of which amounts to 6,919 sq.m. approximately. It is leased to "RAPANAKIS BROS LTD" until 2003, although the validity of the lease is being challenged. Legal proceedings are pending.

2. Two adjoining plots of land on the New Athens-Corinth National Road, the total area of which amounts 29,500 sq.m. approx; including an old building and a chimney. These are to be included in the city planning area.

The assets being sold also include the company's registered name as well as any other item belonging to it. The Company's machinery and vehicles have been sold to "RAPANAKIS LTD", although the validity of the sale contract is being challenged. Legal proceedings are pending.

SALE PROCEDURE

The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990. (as supplemented by art. 14 of L.2000, 1991 and subsequently amended) and the terms set out in the call for tenders for the sale of the above assets, to be published in the Greek and foreign press on the dates provided by law.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a Confidentiality Agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/91 and subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespectively of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding offers: Interested parties are hereby invited to submit binding offers, not later than Monday, December 8th 1997, 12.00 hours to the Athens, Notary Public Mr George Stefanakos, 39 Akadimias St. Athens Tel: +30-1-6450422, Fax. No. +30-1-64.50.423

Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate, if any). In the event of not specifying: a) the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall respectively be deemed that: a) the offered price is payable upon execution of the sale contract, b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount bears interest, this shall be calculated in relation to the outstanding amount and shall be payable on the dates of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party to be nominated at a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offeror shall give a personal guarantee in favour of such third party for the compliance of the obligations deriving from the contract.

3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be DRS.ONE HUNDRED MILLION(100,000,000) Letters of Guarantee shall be returned after the adjudication.

4 Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed opaque envelopes.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office, on Monday December 8th, 1997, 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors"), upon recommendation by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value to be calculated by employing a 15% annual discount interest rate.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expenses of any nature, including any tax (such as V.A.T.), duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the applicable law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the purchaser.

9. Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

10. This Repeat Call has been drafted in Greek and translated into English. In any event, the Greek version shall prevail.

In order to obtain a copy of the Offering Memorandum and any further information please contact the Liquidator" Ethniki Kephaleou SA Administration of Assets and Liabilities", 9a Chryssosphiliotissis St. Athens 10560, Greece. Tel: +30-1-323.14.84-7, fax: +30-1-321.79.05 (attention of Mrs. Marika Frangaki)

BUSINESSES WANTED

FRANCHISING

OFFICE EQUIPMENT

LEGAL NOTICES

No. 05256 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
HAVAS INTERMEDIATION (UK) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4th November 1997 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the above named Company from £15,000,000 to £3,090,001.

AND NOTICE IS FURTHER GIVEN that that Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 19th November 1997.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 6th day of November 1997
Wilde Sapte
1 Fleet Place
London EC4M 7WS
Ref: RCP/083458/CC178843.01 Solicitors for the above named Company

No. 05255 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
DOMINFAST INVESTMENTS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4th November 1997 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the above named Company from £16,500,000 to £2,214,286.

AND NOTICE IS FURTHER GIVEN that that Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on 19th November 1997.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

DATED this 6th day of November 1997
Wilde Sapte
1 Fleet Place
London EC4M 7WS
Ref: RCP/083458/CC178856.01
Solicitors for the above named Company

BUSINESS SERVICES

TELECOMMUNICATIONS

Sterling debut for property developer

INTERNATIONAL BONDS

By Edward Luce in London and Ted Bardacke in Thailand

Frogmore Estates, a UK company specialising in the development and trading of residential property, yesterday made its debut in the eurobond market with a £100m offering.

The unsecured issue, which was aimed primarily at UK investors, was offered at a spread of 135 basis points over 10-year gilts.

An official at SBC Warburg, joint lead manager with NatWest Markets, said the issue was trading flat to its offer spread last night.

The proceeds of the deal, which amount to about one-third of unrated Frogmore's market capitalisation, will be used to refinance its short-term debt obligations.

The WORLD BANK yesterday attempted to wake up Swiss and German retail investors with the first five-year offering in D-Marks for some time.

The DM500m offering was priced to yield 12 basis points over bunds – significantly tighter than the last AAA rated offering at five-years, which was launched at a spread of 20 basis points over bunds.

ADVANCE AGRO, the Thai pulp and paper company, saw its debut Yankee offering tighten marginally in its first full day of trading.

The $111.35m offering, which was priced to yield 911 basis points over 10-year Treasuries, was rated at just CCC+ and B2 respectively by Standard & Poor's and Moody's Investors Service, the two leading credit rating agencies.

An official at Morgan Stanley, sole book-runner, said investors had been attracted by the company's strong dollar-based earnings. This gave the company some protection against another attack on the baht.

"The yield on this was obviously geared to reflect market conditions," said an official in New York. "But it is clear investors are prepared to look beyond the current turmoil at individual company stories."

Thai companies used to be one of south-east Asia's largest categories of bond issuer. In 1995 Thai companies issued 17 different bonds overseas worth a total of Bt32.9bn. By 1996 there were 28 issues worth Bt88.3bn.

That number has fallen dramatically. In the first quarter of 1997, the last period for which official figures are available, there were only three overseas bond issues by Thai companies, worth a paltry Bt4.3bn.

In April the Thai government sold a $600m Yankee bond at 90 basis points over Treasuries. Spreads on that bond have since widened to 475 basis points.

Since the devaluation of the Thai baht on July 2, only one Thai company has issued a debt instrument overseas. The Industrial Finance Corporation of Thailand, a quasi state-owned financial institution, placed $500m of eurobonds at 120 basis points over the equivalent US Treasury.

The bonds also included a protection clause that automatically raises the interest rate if IFCT's credit rating is downgraded.

Several Thai companies are interested in doing securitisation deals but the market for such paper has dried up recently due to problems with one of the first of three issues backed by car loans.

The issuer, finance company Sitca, was one of 58 companies suspended by the central bank earlier this year and although it had created a special purpose vehicle (SPV) to service the bonds, some funds due to bondholders remain locked up in the finance company parent.

The SPV is now servicing the bonds but because it is insured by US specialist insurer MBIA Insurance, which gave it an AAA rating from Standard & Poor's, the credit rating agency is reluctant to rate any more Thai securitisation issues until the matter is cleared up, according to people familiar with the situation.

Vehicle securitisations by Nithipat Leasing and Tisco have met no such problems. All three deals were arranged by ING Barings.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ D-MARKS							
World Bank(l)	500	5.00	99.32R	Dec 2002	0.25R	+12(4½%May02)	ING Barings
■ YEN							
Swedish Export Credit(a)★	10bn	4.50#	100.00	Nov 2000	1.80	-	IBJ Intl/Wako Intl
■ STERLING							
Frogmore Estates(b)	100	8.00	99.313R	Nov 2007	0.50R	+135(7¼%-07)	NatWest/SBCWDR
■ ITALIAN LIRE							
World Bank(c)‡	100bn	(c1)	100.575	Dec 2007	undisc	-	BCI/Cariplo/Citibank/JPM
■ GUILDERS							
Schuttersveld Finance(d)§	110	(2½-3)	100.00	Nov 2002	2.50	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Redeemed in US$. b) Borrowing and asset disposal clauses. Spens call provision. c) L300bn launched 4/11/97 increased to L400bn. c1) 11.05% to 18/12/99, then 16% -2 x 12-mth Libor. d) Fixing approx Wednesday, indicated conversion premium: 18-22%. Callable from 18/5/00, subject to 130% hurdle, at accreted value. Greenshoe: Fl 25m. l) Long 1st coupon.

Trading in narrow range despite uncertainty

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Trading in government bond markets around the world yesterday kept within a narrow range in spite of continuing uncertainty in Asia and the Middle East.

In UK GILTS, further evidence of the government's commitment to preparing for entry into Emu and another set of benign economic data failed to lift the market.

The December contract finished the day unchanged, settling at 118$\frac{11}{32}$. Only around 25,000 contracts were traded, compared with 75,000 on Friday, and the trading range for the day was just $\frac{7}{32}$.

Producer price index figures gave nothing to worry about, with an increase at the lower end of expectations. Traders said all eyes would be on the retail price index numbers released this morning, and the Bank of England's inflation report due on Wednesday.

Simon Briscoe, UK economist at Nikko Europe, said the data were another reminder that the inflation environment was benign. "But there is a lot of pressure on investors to wait and see the whites of the Bank of England's eyes, in the shape of the inflationary report, before they relax," he added.

There were signs of nerves over inflation yesterday, with the short sterling market weakening on rumours that a British retail consortium survey could provide evidence of a pick-up in consumer demand.

GERMAN BUNDS were also quiet. The December contract on Liffe settled unchanged at 102.59 after trading within a 0.19 point range. Traders said bunds continued to benefit from their safe haven status, but there was concern over today's announcement of German tax revenue estimates. Newspaper reports suggest there could be a considerable shortfall compared with current targets. This could leave Germany short of the budget deficit criteria for Emu membership.

ITALIAN BTPs settled 0.13 lower at 11.47, spending the entire day in negative territory in response to a recovery in the equity markets.

US TREASURIES dipped on the last trading day before the Federal Open Market Committee meeting on Wednesday. By early afternoon the benchmark 30-year bond was ⅛ lower at 99$\frac{7}{16}$, yielding 6.162 per cent.

Among shorter-term issues the 10-year note was down $\frac{1}{32}$ to 101$\frac{15}{32}$, yielding 5.914 per cent and the two-year note had fallen $\frac{1}{32}$ to 99$\frac{15}{32}$, yielding 5.709 per cent. Federal Funds stood at 5$\frac{7}{16}$ per cent.

"Today's a non-event day, with stock markets around the world generally stable and with the Treasury market being closed on Tuesday," said Ken Fan, US government bond trader at Paribas Capital Markets in New York. He added that expectations are for no interest rate rise coming from Wednesday's FOMC meeting.

The market will be closed today for Veteran's Day. No economic news was released yesterday, but reports on retail sales and the producer price index are expected on Friday.

The yield spread between the two-year note and the 30-year bond narrowed to 45 basis points, indicating a flattening of the yield curve, coming after last week's auction of 30-year bonds.

JAPANESE GOVERNMENT BONDS continued to weaken in response to more bad news on the stock market, and fears that banks might have to sell bonds to cover losses in equities. The market was also hit by rumours that US rating agencies Moody's and Standard & Poor's were considering downgrading Japan's sovereign credit rating.

However, the agencies last night confirmed the rating outlook as stable. The eight-year JGB was yielding 1.66 per cent at the close in London, up 0.1 per cent from the Tokyo close.

CAPITAL MARKETS NEWS DIGEST

Rise seen in use of IT and internet

Advances in information technology and increasing use of the internet will have far-reaching effects on the financial community, according to a recent survey. More than two-thirds of senior executives in banks, brokerage houses and company finance departments expect electronic links between capital providers to replace existing intermediaries. Several institutions also believe that in the next five to 10 years they will be able to raise capital on the internet, according to the survey by Louis Harris, the polling agency.

"Most firms face critical technology decisions," said Phil Rivett, chairman of the capital markets group at Coopers & Lybrand, the accountancy firm which commissioned the survey.

A majority of respondents (56 per cent) believe expenditures on technology will become their firm's single largest expense, surpassing employee compensation. As a result, almost 90 per cent of banking executives believe senior technology officials will reach top management positions in their companies.

While a majority of banks and brokerage houses plan to make continued investments in technology or enter outsourcing agreements, roughly a quarter expect to make strategic alliances and a couple are even considering taking over a technology provider.

Software developers are expected to benefit most from the increasing reliance on technology, followed closely by information providers such as Reuters and Bloomberg. Systems integration companies and the telecommunications sector are also expected to play an increasing role.

Almost half the respondents, however, feel they are not sufficiently informed to make technology decisions. "It is significant that half the senior executives surveyed do not consider themselves sufficiently informed to make these decisions," Mr Rivett said. Keeping up with technological advance is seen as critical, as almost 50 per cent of respondents from the banking and brokerage industries believe that inadequate systems integration would inhibit their ability to satisfy clients' needs. *Samer Iskandar*

■ UKRAINE

Demand for T-bills dries up

Ukraine has become the latest victim of last week's global financial turmoil, as foreign demand for its Treasury bills has dried up. Last week, bankers said, a 43m hryvna ($24m) issue of one-year Ukrainian government T-Bills found no buyers, although it offered a yield of 35 per cent – up from 22 per cent two weeks ago. The Ukrainian government faces T-Bill redemptions of $700m from now until the end of this year, of which $250m is denominated in US dollars. Bankers believe a sharp rise in interest rates will be necessary to refinance the maturing debt.

In addition to rolling over its debt, the government would like to pay off roughly $1.7bn in wage and pension arrears before parliamentary elections in March. *Charles Clover, Kiev*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.6407	4.86	+0.04	+0.04	-0.14	-1.39
	10/07	10.000	129.1340	6.01	+0.05	-0.02	-0.39	-1.17
Austria	09/99	7.000	104.0600	4.65	+0.04	+0.08	+0.06	+0.96
	07/07	5.625	99.5400	5.68	+0.01	-	+0.02	-0.27
Belgium	04/99	7.000	103.5400	4.42	+0.03	+0.02	-0.09	+0.92
	03/07	6.250	103.5700	5.74	+0.01	-0.04	+0.02	-0.29
Canada	03/99	4.000	100.0500	3.96	+0.02	-0.04	-0.02	-
	06/07	7.250	112.6000	5.51	-	-0.03	-0.19	-0.63
Denmark	12/99	6.000	102.2400	4.83	+0.02	-	-0.06	+0.45
	11/07	7.000	106.3500	6.13	-	-0.04	-0.01	-0.69
Finland	01/99	11.000	107.3490	4.40	-	+0.05	+0.07	+0.44
	04/06	7.250	109.3390	5.81	-0.01	+0.03	-	-0.74
France	11/99	7.000	104.7200	4.48	+0.03	+0.08	+0.03	+0.70
	10/04	6.750	107.9600	5.35	+0.01	+0.02	+0.01	-0.02
	10/07	5.500	98.9800	5.64	+0.01	-	+0.01	-0.24
	10/25	6.000	97.1500	6.22	+0.01	-0.03	+0.09	-0.56
Germany	08/99	3.500	98.7700	4.31	+0.02	+0.06	+0.01	+0.75
	07/04	6.750	107.6500	5.35	+0.01	+0.02	-0.02	-0.18
	07/07	6.000	102.8000	5.61	+0.01	-0.02	-0.01	-0.27
	07/27	6.500	103.7900	6.21	-0.01	-0.04	+0.07	-0.54
Ireland	04/99	6.250	100.9000	5.53	+0.03	+0.13	-	-0.67
	08/06	8.000	112.5500	6.10	+0.01	-	+0.03	-0.61
Italy	05/00	6.000	101.3400	5.42	+0.01	+0.04	-0.18	-1.21
	05/02	6.250	102.1400	5.70	+0.01	+0.03	-0.09	-1.28
	07/07	6.750	104.1900	6.16	+0.02	+0.01	-0.07	-1.65
	11/26	7.250	107.2200	6.68	+0.01	+0.02	-0.06	-1.89
Japan	06/99	4.800	106.8500	0.48	+0.01	+0.02	-0.03	-0.50
	12/02	4.800	117.4100	1.26	+0.05	+0.02	-0.13	-0.83
	09/05	3.000	109.3600	1.72	+0.05	+0.04	-0.13	-0.99
	03/17	3.500	116.0600	2.45	+0.03	-0.02	-0.21	-0.94
Netherlands	06/99	7.500	104.5600	4.44	+0.05	+0.09	+0.06	+0.84
	02/07	5.750	101.0400	5.60	+0.02	-	-	-0.22
New Zealand	02/00	6.500	99.1629	6.99	+0.01	-0.03	+0.04	+0.05
	11/06	8.000	108.7561	6.67	+0.06	+0.02	-0.02	-0.50
Norway	01/99	9.000	105.1786	4.50	-0.03	-0.03	+0.06	-0.27
	01/07	6.750	106.6009	5.80	-	-0.01	+0.04	-0.69
Portugal	03/99	8.500	104.2500	5.15	+0.08	+0.08	+0.08	-1.45
	02/07	6.625	103.9300	6.05	-	+0.01	-0.01	-1.30
Spain	07/99	7.400	103.9535	4.91	-	+0.03	-0.05	-1.63
	03/07	7.350	108.2731	6.02	-	-	+0.02	-1.50
Sweden	01/99	11.000	106.5280	5.16	+0.05	+0.04	+0.17	-0.35
	08/07	8.000	111.2260	6.41	+0.03	+0.01	+0.12	-1.10
Switzerland	03/99	4.000	102.4600	2.09	+0.01	+0.04	+0.07	-0.10
	06/07	4.500	106.7000	3.66	+0.02	+0.06	+0.06	-0.22
UK	08/99	6.000	98.2500	7.07	+0.03	+0.18	+0.08	+0.37
	11/04	6.750	100.2500	6.70	+0.01	+0.09	+0.11	-0.76
	12/07	7.250	104.8438	6.58	-	-	+0.08	-1.14
	06/21	8.000	118.3438	6.47	-	-0.03	-0.02	-1.44
US	07/99	5.875	100.1640	5.77	+0.04	+0.06	-0.08	+0.02
	05/04	7.250	107.0860	5.92	+0.01	-	-0.20	-0.11
	08/07	6.125	101.5470	5.91	+0.02	+0.01	-0.23	-0.34
	08/27	6.375	102.2340	6.21	+0.02	-	-0.22	-0.30
ECU	03/99	5.000	100.3000	4.74	-0.01	+0.03	-0.05	+0.47
	04/07	5.500	97.9000	5.79	+0.01	-	-0.01	-0.50

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.01	+0.40	+0.09	New Zealand	6.67	+1.06	+0.75
Austria	5.68	+0.07	-0.24	Norway	5.80	+0.19	-0.12
Belgium	5.74	+0.13	-0.18	Portugal	6.05	+0.44	+0.13
Canada	5.51	-0.10	-0.41	Spain	6.02	+0.41	+0.10
Denmark	6.14	+0.53	+0.22	Sweden	6.41	+0.80	+0.49
Finland	5.81	+0.20	-0.11	Switzerland	3.64	-1.97	-2.28
France	5.64	+0.03	-0.28	UK	6.58	+0.97	+0.66
Germany	5.61	-	-0.31	US	5.92	+0.31	-
Ireland	6.10	+0.49	+0.18	ECU	5.79	+0.18	-0.13
Italy	6.16	+0.55	+0.24				
Japan	1.72	-3.89	-4.20				
Netherlands	5.60	-0.01	-0.32				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	95.6250	8.23	-0.05	+0.76	+2.40
Poland	07/00	7.750	BBB-	103.2500	6.36	-0.16	-0.18	+0.57
Russia	11/01	9.250	BB-	97.8050	9.93	-	+1.97	+4.12
■ LATIN AMERICA								
Argentina	01/17	11.375	BB	98.0000	11.63	+0.01	+2.19	+5.58
Brazil	11/01	8.875	BB-	98.1889	9.44	-	+1.52	+3.63
Mexico	01/07	9.875	BB	100.2500	9.83	+0.11	+1.26	+3.91
■ ASIA								
China	07/06	7.750	BBB+	103.3750	7.20	-0.10	+0.16	+1.30
Philippines	10/16	8.750	BB+	88.3126	10.15	-	+1.31	+4.12
Thailand	04/07	7.750	A-	86.2500	10.06	-0.09	+1.98	+4.14
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB-	102.9760	7.83	-0.07	+0.13	+2.04
South Africa	12/99	9.625	BB+	105.5000	6.75	+0.02	-0.07	+1.02
Turkey	05/02	10.000	B	101.0000	9.72	+0.22	+1.04	+3.89
■ BRADY BONDS								
Argentina	03/23	5.500	BB	68.7500	9.14	-0.19	+1.04	+3.02
Brazil	04/24	5.250	BB-	65.6250	9.46	-0.27	+1.14	+3.32
Mexico	12/19	6.250	BB	78.2856	8.43	-	+0.53	+2.36
Venezuela	03/20	6.750	B+	83.5000	8.40	-0.39	+0.46	+2.32

London closing. Prices in US$. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.86	98.96	+0.32	99.14	98.78	101,896	103,281
Mar	98.36	98.44	+0.32	98.52	98.26	1,825	10,267
Jun	97.92	98.00	+0.32	97.92	97.92	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Mar
98	1.11	0.92	1.35	0.15	0.48	0.92
99	0.73	0.63	1.07	0.27	0.69	1.13
100	0.42	0.41	0.83	0.46	-	1.38
101	0.22	0.25	0.62	-	-	-
102	0.10	0.14	0.45	1.14	-	-

Est. vol. total, Calls 16,368 Puts 20,400. Previous day's open int., Calls 95,929 Puts 104,160.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.50	102.59	-	102.66	102.47	43646	253612
Mar	101.85	101.91	-	101.86	101.81	344	14738

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10250	0.38	0.41	0.62	0.80	0.29	1.00	1.21	1.39
10300	0.16	0.25	0.44	0.60	0.57	1.34	1.53	1.69
10350	0.06	0.14	0.30	0.44	0.97	1.73	1.89	2.03

Est. vol. total, Calls 19614 Puts 13474. Previous day's open int., Calls 243105 Puts 291295

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.51	103.43	-0.11	103.51	103.36	48,457	269,654
Mar	102.72	102.75	-0.07	102.75	102.72	754	37,798

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.59	111.47	-0.13	111.61	111.40	16124	112442
Mar	111.70	111.65	-0.10	111.70	111.65	1587	2879

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11100	0.67	1.65	0.20	1.00
11150	0.37	1.37	0.40	1.22
11200	0.18	1.13	0.71	1.48

Est. vol. total, Calls 4225 Puts 5804. Previous day's open int., Calls 129978 Puts 125451

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.08	103.15	+0.02	103.16	103.01	16,478	91,810
Mar	-	102.65	-	-	-	-	600

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118-09	118-11	-	118-14	118-07	24919	152421
Mar	118-27	118-28	-	118-30	118-27	1501	35951

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
118	0-48	1-36	1-57	2-11	0-26	0-44	1-01	1-19
119	0-18	0-63	1-23	1-37	0-60	1-07	1-31	1-45
120	0-06	0-37	0-60	1-10	1-48	1-45	2-04	2-18

Est. vol. total, Calls 2718 Puts 776. Previous day's open int., Calls 68804 Puts 29040

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97.90	98.04	+0.32	98.04	97.84	511	6,537

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-25	117-19	-0-12	117-27	117-14	415,308	613,123
Mar	117-10	117-10	-0-12	117-13	117-06	5,005	78,783
Jun	-	117-10	-	-	-	27	12,617

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	130.31			130.31	130.20	3281	n/a
Mar	129.33			129.38	129.33	365	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Nov 7	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	103.9331	6.25	-0.01	-0.08	+0.45
NY Tel	08/25	7.00	A+	97.4014	7.21	-0.02	-0.05	+1.03
CWE	05/08	8.00	BBB	108.5634	6.84	-	-0.13	+0.98
■ FINANCIALS								
GECC	05/07	8.75	AAA	116.4165	6.41	+0.01	-0.16	+0.53
Banc One	08/02	7.25	A+	103.8590	6.28	-0.01	-0.12	+0.48
US West	01/07	7.30	BBB+	102.4139	6.93	+0.02	+0.02	+1.05
■ INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.9170	6.30	-0.01	+0.19	+0.61
Wal Mart	05/02	6.75	AA	102.0578	6.21	-	-0.07	+0.41
Dayton Hud	06/21	9.70	BBB+	127.6173	7.24	-0.01	-0.10	+1.06
■ AGENCIES								
FHLMC	04/07	7.14	N/A	106.9359	6.15	-0.01	-0.22	+0.27
SLMA	03/00	7.50	N/A	103.5657	5.83	-0.01	-0.09	+0.07
FNMA	02/18	8.95	N/A	126.6653	6.55	-0.01	-0.20	+0.37
FFCB	06/06	8.95	N/A	118.3442	6.15	-0.01	-0.17	+0.27
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	102.2500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	103.7500	0.00	-	-	-
Pacella	06/04	10.75	B-	101.2500	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.74
Broker loan rate	7¼	Two month	-	Three year	5.81
Fed.funds	5$\frac{7}{16}$	Three month	5.32	Five year	5.85
Fed.funds at intervention	-	Six month	5.35	10-year	5.92
		One year	5.45	30-year	6.18

INTERNATIONAL BONDS

Nov 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	100.2900	5.70	-0.01	-	+0.09
Spain	01/07	5.750	AA	99.7800	5.78	-	+0.04	+0.17
Philip Morris	03/04	5.375	A	98.2786	5.70	+0.01	+0.14	+0.35
ABN Amro FRN	03/05	3.625	n/a	99.5812	5.60	-	-0.04	+0.13
■ EURO FFR								
Austria	01/04	5.500	AAA	100.5000	5.40	+0.01	+0.06	+0.05
Abbey Nat	02/04	6.000	AA	102.7500	5.48	-0.02	+0.05	+0.11
Cred Foncier	02/04	9.125	A	117.1200	5.78	+0.01	+0.08	+0.43
Abbey Nat FRN	09/06	4.510	n/a	100.2061	4.48	+0.01	+0.02	-1.06
■ EURO LIRA								
EIB	02/07	7.000	AAA	106.4000	6.07	+0.02	-0.11	-0.09
Abbey Nat	02/02	6.800	AA	103.7000	5.79	+0.02	-0.13	+0.09
Walt Disney	06/00	8.625	A	106.4900	5.84	+0.01	-0.27	+0.42
Abbey Nat FRN	03/07	8.000	AAr	101.4542	7.57	+0.07	+0.19	+1.41
■ EURO £								
EIB	12/07	7.625	AAA	105.0490	6.91	-	+0.15	+0.33
Dresdner Bk	12/07	7.750	AA	102.9724	7.32	-	+0.17	+0.74
RBS	01/07	8.375	A+	106.1635	7.42	-	+0.16	+0.84
Abbey Nat FRN	02/02	7.400	AA	99.9291	6.82	+0.04	+0.11	+0.02
■ EURO $								
EIB	04/07	7.250	AAA	106.1250	6.36	-	-0.19	+0.44
ABN Amro	08/07	7.125	AA-	103.1250	6.68	-0.01	-0.10	+0.76
Quebec	01/07	7.000	A+	102.3750	6.65	-0.01	-0.10	+0.73
Citicorp FRN	02/04	5.781	A+	99.5500	5.87	+0.02	+0.01	-
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.3819	5.76	+0.06	+0.01	+0.18
Toronto	05/04	8.500	AA+	115.1650	5.65	+0.05	-0.13	+0.07
Bell Canada	07/99	10.625	A+	108.8756	4.93	+0.03	+0.11	+0.10
Deutsche B FRN	09/02	5.875	AAA	101.9524	5.41	+0.06	+0.05	-0.01
■ EURO YEN								
World Bank	03/02	5.250	AAA	117.5000	1.12	+0.03	-0.14	+0.02
Spain	03/02	5.750	AA	119.3500	1.17	+0.02	-0.14	+0.07
Cred Foncier	08/02	4.750	A	114.3081	1.59	+0.04	-0.11	+0.49
Italy FRN	07/99	0.594	AA	100.4231	0.27	-0.01	+0.13	-0.21

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Nov 10	Day's change %	Fri Nov 7	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.62	-0.06	119.78	2.46	8.96
2 5-15 years (20)	157.70	-0.02	157.73	3.69	9.03
3 Over 15 years (4)	190.27	-0.02	190.30	4.46	9.77
4 Irredeemables (4)	230.82	-0.03	230.89	5.36	9.50
5 All stocks (47)	150.73	-0.03	150.82	3.38	9.33
Index-linked					
6 Up to 5 years (2)	210.56	0.01	210.56	0.86	6.09
7 Over 5 years (10)	214.39	-0.01	214.42	1.63	5.21
8 All stocks (12)	212.92	-0.01	212.94	1.53	5.26

UK Indices

	Low coupon yield Nov 10	Nov 7	Yr. ago	Medium coupon yield Nov 10	Nov 7	Yr. ago	High coupon yield Nov 10	Nov 7	Yr. ago
5 yrs	6.75	6.71	7.26	6.86	6.83	7.32	6.88	6.85	7.38
15 yrs	6.56	6.57	7.84	6.55	6.55	7.83	6.62	6.62	7.84
20 yrs	6.56	6.57	7.91	6.52	6.52	7.89	6.61	6.61	7.91
Irred.†	6.62	6.61	7.98						

	Inflation 5% Nov 10	Nov 7	Yr. ago	Inflation 10% Nov 10	Nov 7	Yr. ago
Up to 5 yrs	3.23	3.23	3.25	2.55	2.55	2.62
Over 5 yrs	3.13	3.13	3.61	2.94	2.94	3.42

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 10	Nov 7	Nov 6	Nov 5	Nov 4	Yr ago	High*	Low*
Govt. Secs. (UK)	99.87	99.93	99.58	99.89	100.01	93.73	101.83	93.31
Fixed Interest	132.54	132.33	132.13	132.27	132.36	115.38	133.54	115.32

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 4½pc 1998‡‡	3.89	6.34	116	—	118¼	113¾
Exch 9¾pc 1998	9.71	7.02	100⅜	-$\frac{1}{32}$	103	100⅜
Treas 7¼pc 1998‡‡	7.25	7.19	100$\frac{1}{32}$	—	101	100
Treas 15½pc '98‡‡	14.50	7.24	106	-$\frac{1}{16}$	114	106
Exch 12pc 1998	11.46	7.31	104½	-$\frac{1}{16}$	108	104½
Treas 9½pc 1999‡‡	9.27	7.23	102	-¼	105⅝	97
Treas Flg Rate 1999‡‡	-	-	100¼	—	100	100
Exch 12¼pc 1999	11.50	7.20	106	-$\frac{1}{32}$	112⅜	106
Treas 10½pc 1999	10.03	7.19	104¾	—	109⅝	104¼
Treas 6pc 1999 ‡‡	6.11	7.07	98¼	-$\frac{1}{16}$	98	96
Conv 10¼pc 1999	9.70	7.15	105	-$\frac{1}{32}$	109¼	105
Treas 8½pc 2000 ‡	8.28	7.13	102	-$\frac{1}{32}$	104	102
Conv 9pc 2000‡‡	8.66	7.07	103	-$\frac{1}{32}$	106½	103
Treas 13pc 2000	11.40	7.11	114	-$\frac{1}{32}$	119	114
Treas 14pc 1998-1	13.54	7.20	103	-$\frac{1}{16}$	111	103
Treas 8pc 2000‡‡	7.79	7.00	102	-¼	104	102
Treas Flg Rate 2001	-	-	100⅝	—	100	99⅞
Treas 10pc 2001	9.22	7.02	108½	-⅛	112	98
Conv 9½pc 2001‡‡ ‡	8.81	6.99	107¾	-⅛	109	107
Conv 9¾pc 2001 ‡	8.98	6.98	108	-⅛	110	106½
Treas 7pc 2001 ‡‡	6.98	6.91	100	-⅛	101	98
Exch 12pc 1999-2 ‡	11.40	7.26	105¼	-$\frac{1}{16}$	109	105¼
Conv 10pc 2002 ‡	8.98	6.87	111⅞	-⅛	113	109
Treas 7pc 2002‡‡	6.94	7.02	100	-¼	102	97
Five to Fifteen Years						
Conv 9½pc 2002 ‡	8.63	6.87	110	-⅛	112¼	108¼
Treas 9¾pc 2002	8.75	6.87	111½	-⅛	122¼	109½
Exch 9pc 2002 ‡	8.27	6.87	108	-⅛	111½	106
Conv 9¾pc 2003‡‡ ‡	8.63	6.84	113	-⅛	116¼	110
Treas 8pc 2003‡‡	7.58	6.76	105	-¼	107	102
Treas 13¼pc 2000-3 ‡	11.85	7.08	116	-$\frac{1}{32}$	119	116

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 10pc 2003	8.69	6.80	115	-$\frac{1}{32}$	117¾	111⅞
Treas 11½pc 2001-4	10.17	7.05	113	-$\frac{1}{32}$	116	113
Treas 10pc 2004 ‡	8.58	6.79	116	-$\frac{1}{32}$	119¼	113
Funding 3½pc 1999-4	3.95	5.55	88	-⅛	90	82
Conv 9½pc 2004	8.25	6.71	115	-⅛	118	109
Treas 6¾pc 2004‡‡	6.73	6.69	100¼	-⅛	102	94⅞
Conv 9½pc 2005	8.19	6.72	115	-$\frac{1}{32}$	122	110
Exch 10½pc 2005 ‡	8.55	6.72	122¾	-$\frac{1}{32}$	125	117
Treas 12½pc 2003-5	9.79	6.89	127	-⅛	130	124
Treas 8½pc 2005‡‡	7.65	6.63	111	-⅛	114¼	104
Conv 9¾pc 2006 ‡	8.08	6.65	120	—	123	113
Treas 7¾pc 2006‡‡	7.09	6.63	105	-$\frac{1}{32}$	108	98
Treas 7¾pc 2006‡‡	7.24	6.66	107⅛	-$\frac{1}{32}$	110	99
Treas 8pc 2002-6‡‡	7.66	6.92	104	-$\frac{1}{32}$	106	100
Treas 11¾pc 2003-7	9.71	6.85	121	-⅛	123	115¼
Treas 8½pc 2007 ‡‡	7.52	6.65	112	—	116	105
Treas 7¼pc 2007‡‡	6.91	6.58	104	+$\frac{1}{32}$	107	98
Treas 13½pc 2004-8 ‡	10.07	6.80	134	-⅛	136	131
Treas 9pc 2008 ‡‡	7.56	6.53	119	+$\frac{1}{32}$	121	109
Treas 8pc 2009	7.17	6.57	111⅝	+$\frac{1}{32}$	114	101
Treas 6¼pc 2010‡‡	6.45	6.60	96	—	99	86⅝
Conv 9pc Ln 2011 ‡‡	7.48	6.61	121	—	124	109½
Treas 9pc 2012‡‡	7.37	6.61	122xd	+$\frac{1}{32}$	125	109
Treas 5½pc 2008-12‡‡	6.03	6.46	91	-$\frac{1}{32}$	93	80
Treas 7¾pc 2012-15‡‡	7.08	6.64	110	+$\frac{1}{32}$	112	98
Over Fifteen Years						
Treas 8pc 2013‡‡	7.04	6.59	113	-$\frac{1}{32}$	116	100
Treas 8pc 2015‡‡	6.92	6.50	115	-$\frac{1}{16}$	118	101
Treas 8¾pc 2017‡‡	7.04	6.54	124	—	128	103
Exch 12pc 2013-17 ‡	7.85	6.61	152	—	156	136
Treas 8pc 2021‡‡	6.76	6.45	118	-$\frac{1}{32}$	121	101
Undated						
Consols 4pc	6.83	-	58	-$\frac{1}{32}$	59¼	48
War Loan 3½pc‡‡	6.55	-	53	+$\frac{1}{32}$	54	43
Conv 3½pc '61 Aft	4.93	-	70	+$\frac{1}{32}$	71	60
Treas 3pc '66 Aft	7.01	-	42	-$\frac{1}{32}$	43	36
Consols 2½pc	6.61	-	37	-$\frac{1}{32}$	38	31
Treas. 2½pc	6.72	-	37	-⅛	38¼	30

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99	‡	2.85	3.37	188	+$\frac{1}{16}$	187	179
2½pc '01	(78.3)	3.22	3.51	193½	-$\frac{1}{16}$	193½	184
2½pc '03	(78.8)	3.19	3.39	190	-⅛	190	180
4⅛pc '04‡‡	(135.6)	3.14	3.31	123	-$\frac{1}{16}$	123	117
2pc '06	(69.5)	3.17	3.30	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '24‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4⅛pc '30‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for February 1997: 155.0 and for September 1997: 159.3.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B'ham 11½pc 2012	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds 13½pc 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liverpool 3½pc Irred	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LCC 3pc '20 Aft	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Manchester 11½pc 2007	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Met. Wtr. 3pc 'B'	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wside Anglia 3½pc IL 2021	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4¼pc IL 2024	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ‡ Indicative price.

CURRENCIES AND MONEY

Korean won hits 999 against dollar

MARKETS REPORT

By Simon Kuper

The South Korean won dropped to 999 against the dollar yesterday, as currency strategists said the country's central bank had spent almost all its foreign exchange reserves.

The government last night pledged to hold the won at 1,000. Last week it banned street-trading of the won below that level. But most strategists said that yesterday's 2 per cent slide in the won was a prelude to worse. The won has dropped 18 per cent against the dollar this year.

Strategists emphasised the impact the Korean crisis could have on global markets. They said a further sharp fall in the won could force the yen down sharply too, and would raise pressure on the Brazilian real and the Hong Kong dollar.

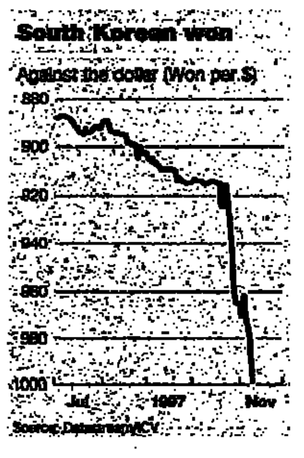
Korea is expected to announce a package of measures soon to restore market stability. But Steve Jennions, emerging markets economist at Credit Agricole Indosuez in London, cautioned: "The International Monetary Fund would have to come up with a record-breaking package. We are probably talking twice the size of the Mexican package of 1995."

The won began falling in August, following devaluations by several of Korea's Asian neighbours. Later the market began focussing on Korea's large short-term foreign debt levels. As foreign funds fled the Seoul stock market, the central bank spent most of its reserves defending the won. Korean companies began hoarding dollars, expecting that recent credit downgrades on Korea would raise interest rates on their foreign debts.

■ The dollar barely moved against the D-Mark and yen yesterday, closing in London marginally higher at DM1.712 and Y124.1. The Swiss franc remained strong.

■ The Asian financial crisis, so far restricted to relatively poor south east Asian countries, would double in size if Korea's currency and stock market were to collapse.

But which of the major economies would that affect most? Strategists point their fingers at Japan. That certainly seems justified if one looks at trade. Japan sends 38 per cent of its exports to Asia, while the figure for the US is just 17 per cent and for Germany a mere 6 per cent, according to ABN-Amro. Incidentally, 37 per cent of Australian exports go to Asia.



However, on bank lending the picture is different. According to the Bank for International Settlements, at the end of last year Japan had $118.6bn in outstanding loans to Asian nations, far smaller than Europe's total of $145.6bn. Here too, the US is relatively shielded: it and Canada combined had lent just $40.3bn in Asia. So a Korean crisis would be felt in Europe as well as in Japan, says Mr Jennions.

But any Korean collapse could hurt the yen more than just through exports and bank loans, strategists say. Japanese companies compete with Korean rivals in many export markets. Because of the Asian devaluations, the yen has appreciated on a trade weighted basis over the last year. And Japan needs to export strongly, given the paucity of domestic demand.

If the won nosedived, strategists say, the yen would have to fall too in order to keep Japanese exports competitive. Mark Geddes, treasury economist at ABN-Amro in London, said the problems in Korea may be why neither Washington nor Tokyo have objected to the yen's slide last week to a six-month low against the dollar.

■ Michael Rosenberg, head of global fixed-income research at Merrill Lynch in New York and the market's most prominent dollar bull, has revised down his forecast for the dollar against the D-Mark. He now predicts it will hit DM1.85 in the next 12 months, rather than DM1.95-DM2.00. But he still forecasts DM2.00 by 2000.

"What drives dollar/D-Mark is the real interest rate differential," Mr Rosenberg explains. The dollar has for long offered considerably higher interest rates than the D-Mark, but it is hard to see that spread widening much from now on, says Mr Rosenberg. The effect of stock market moves on this exchange rate is less significant, he says.

■ Pound in New York

Nov 10	—Latest—	— Prev. close —
£ spot	1.6845	1.6890
1 mth	1.6821	1.6866
3 mth	1.6772	1.6817
1 yr	1.6563	1.6605

■ OTHER CURRENCIES

Nov 10	£	$
Czech Rp	55.0540 - 55.1289	32.6420 - 32.6560
Hungary	327.504 - 327.763	194.180 - 194.230
Iran	5062.50 - 5058.80	3000.00 - 3000.00
Kuwait	0.5112 - 0.5123	0.3031 - 0.3036
Poland	5.9115 - 5.9316	3.5050 - 3.5150
Russia	9962.75 - 9969.75	5907.00 - 5908.00
U.A.E.	6.1947 - 6.1985	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.3234	-0.0164	144 - 324	20.3582	20.2132	20.2602	3.7	20.1375	3.7	19.6633	3.2	102.7
Belgium	(BFr)	59.5816	-0.0599	235 - 396	59.8360	59.1880	59.3991	3.7	59.0431	3.6	57.6375	3.3	102.6
Denmark	(DKr)	10.9908	-0.0089	862 - 954	11.0117	10.9250	10.9589	3.5	10.8945	3.5	10.6582	3.0	104.9
Finland	(FM)	8.6988	-0.0084	919 - 056	8.7150	8.6500	8.6705	3.9	8.6166	3.8	8.4229	3.2	81.6
France	(FFr)	9.6727	-0.0055	684 - 770	9.6865	9.6205	9.641	3.9	9.5797	3.8	9.3472	3.4	106.1
Germany	(DM)	2.8875	-0.0026	863 - 887	2.8935	2.8759	2.8784	3.8	2.8603	3.8	2.7904	3.4	103.8
Greece	(Dr)	453.294	-1.35	038 - 549	455.994	452.120	464.449	-29.5	478.579	-22.3	487.88	-7.6	65.8
Ireland	(I£)	1.1113	-0.0042	095 - 131	1.1149	1.1095	1.1103	1.0	1.1079	1.2	1.091	1.8	98.2
Italy	(L)	2829.10	-6.73	708 - 112	2836.95	2821.30	2827.87	0.5	2823.18	0.8	2779.88	1.7	76.4
Luxembourg	(LFr)	59.5816	-0.0599	235 - 396	59.8360	59.1880	59.3991	3.7	59.0431	3.6	57.6375	3.3	102.6
Netherlands	(Fl)	3.2518	-0.0074	501 - 535	3.2606	3.2373	3.2415	3.8	3.2209	3.8	3.1429	3.3	102.0
Norway	(NKr)	11.7431	-0.01	357 - 504	11.7817	11.6887	11.7068	3.7	11.6376	3.6	11.3841	3.1	99.4
Portugal	(Es)	294.680	-0.556	497 - 823	295.335	293.704	294.208	1.8	293.074	2.2	287.299	2.5	92.2
Spain	(Pta)	243.846	-0.388	714 - 979	244.320	242.600	243.413	2.1	242.407	2.4	237.513	2.6	77.3
Sweden	(SKr)	12.6352	+0.0139	276 - 428	12.6541	12.5245	12.6038	3.0	12.544	2.9	12.346	2.3	86.0
Switzerland	(SFr)	2.3492	-0.0106	477 - 507	2.3564	2.3437	2.3386	5.4	2.3172	5.4	2.2299	5.1	108.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.7
Ecu	-	1.4633	-0.0007	624 - 642	1.4669	1.4542	1.46	2.7	1.4528	2.9	1.423	2.8	-
SDR†	-	1.22377	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6865	-0.0073	859 - 870	1.6870	1.6787	-	-	-	-	-	-	-
Brazil	(R$)	1.8641	-0.014	634 - 647	1.8651	1.8559	-	-	-	-	-	-	-
Canada	(C$)	2.3731	-0.0198	720 - 741	2.3776	2.3644	2.365	3.6	2.3521	3.5	2.3004	3.1	83.2
Mexico	(New Peso)	13.9435	-0.2149	976 - 894	14.0673	13.8006	14.1176	-15.0	14.4797	-15.4	15.8706	-13.8	-
USA	($)	1.6871	-0.0075	866 - 875	1.6875	1.6795	1.6847	1.7	1.6799	1.7	1.6593	1.6	104.9
Pacific/Middle East/Africa													
Australia	(A$)	2.4213	-0.0249	198 - 228	2.4394	2.4122	2.4164	2.4	2.4055	2.6	2.3594	2.6	87.8
Hong Kong	(HK$)	13.0401	-0.0609	357 - 444	13.0447	12.9834	13.1364	-8.9	13.3198	-8.6	13.6383	-4.6	-
India	(Rs)	61.7123	-0.2296	790 - 456	61.7460	61.4510	-	-	-	-	-	-	-
Israel	(Shk)	5.9588	-0.0334	498 - 678	5.9610	5.9493	-	-	-	-	-	-	-
Japan	(Y)	209.346	-0.547	223 - 469	209.600	208.190	208.151	6.8	205.821	7.1	195.081	6.8	122.1
Malaysia	(M$)	5.5968	+0.0305	869 - 067	5.6070	5.5537	5.6057	-1.9	5.6475	-3.6	5.8033	-3.7	-
New Zealand	(NZ$)	2.6952	-0.0247	930 - 974	2.7095	2.6823	2.6952	0.0	2.6953	0.0	2.6927	0.1	106.1
Philippines	(Peso)	57.9671	-1.022	672 - 669	58.2787	57.3750	58.5864	-12.8	60.5383	-17.7	65.7815	-13.5	-
Saudi Arabia	(SR)	6.3260	-0.0281	254 - 305	6.3310	6.3005	6.3219	1.2	6.3068	1.4	6.2411	1.4	-
Singapore	(S$)	2.6525	-0.0084	505 - 544	2.6550	2.6432	2.6538	-0.6	2.6477	0.7	2.6204	1.2	-
South Africa	(R)	8.1392	-0.0568	345 - 439	8.1573	8.1078	8.2011	-9.1	8.3099	-8.4	8.7186	-7.1	-
South Korea	(Won)	1685.53	+24.99	491 - 615	1686.20	1648.36	-	-	-	-	-	-	-
Taiwan	(T$)	52.2480	-0.1973	020 - 939	52.5628	52.0815	52.1929	1.3	52.0771	1.3	51.5737	1.3	-
Thailand	(Bt)	62.9851	-1.494	753 - 969	65.0560	62.2060	63.1249	-2.8	63.4787	-3.1	65.5987	-4.1	-

† Rates for Nov 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0467	+0.0428	446 - 488	12.1050	12.0195	12.0262	2.0	11.9882	1.9	11.8507	1.6	102.7
Belgium	(BFr)	35.3170	+0.122	920 - 420	35.5450	35.2710	35.2585	2.0	35.1495	1.9	34.737	1.6	102.6
Denmark	(DKr)	6.5148	+0.0232	136 - 158	6.5465	6.4956	6.505	1.8	6.4857	1.8	6.4235	1.4	104.4
Finland	(FM)	5.1562	+0.018	535 - 589	5.1822	5.1402	5.1467	2.2	5.1286	2.1	5.0763	1.5	81.2
France	(FFr)	5.7335	+0.0223	325 - 345	5.7585	5.7207	5.7228	2.2	5.703	2.1	5.6334	1.7	105.8
Germany	(DM)	1.7116	+0.0061	113 - 118	1.7200	1.7069	1.7088	2.1	1.7028	2.1	1.6817	1.7	103.6
Greece	(Dr)	268.690	+0.4	610 - 770	270.810	268.380	275.69	-31.3	284.905	-24.1	294.02	-9.4	65.2
Ireland	(I£)	1.5181	-0.0011	160 - 201	1.5201	1.5110	1.5172	0.7	1.5163	0.5	1.5208	-0.2	-
Italy	(L)	1676.95	+3.5	620 - 770	1686.20	1674.85	1678.59	-1.2	1680.69	-0.9	1675.38	0.1	76.2
Luxembourg	(LFr)	35.3170	+0.122	920 - 420	35.5450	35.2710	35.2585	2.0	35.1495	1.9	34.737	1.6	102.6
Netherlands	(Fl)	1.9275	+0.0042	270 - 280	1.9369	1.9264	1.9241	2.1	1.9175	2.1	1.8942	1.7	101.9
Norway	(NKr)	6.9607	+0.0251	582 - 632	7.0004	6.9366	6.9489	2.0	6.9282	1.9	6.861	1.4	99.1
Portugal	(Es)	174.660	+0.45	610 - 710	175.580	174.580	174.638	0.2	174.472	0.4	173.15	0.9	92.6
Spain	(Pta)	144.540	+0.415	500 - 580	145.190	144.400	144.487	0.4	144.31	0.6	143.145	1.0	77.1
Sweden	(SKr)	7.4895	+0.0416	870 - 920	7.5224	7.4464	7.4814	1.3	7.4677	1.2	7.4407	0.7	86.3
Switzerland	(SFr)	1.3925	-	920 - 930	1.4001	1.3918	1.3881	3.7	1.3795	3.7	1.3438	3.5	107.9
UK	(£)	1.6871	-0.0075	866 - 875	1.6875	1.6795	1.6847	1.7	1.6799	1.7	1.6593	1.6	102.5
Ecu	-	1.1529	-0.0047	525 - 533	1.1560	1.1477	1.154	-1.1	1.1562	-1.2	1.166	-1.1	-
SDR†	-	0.722413	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	+0.0002	996 - 997	0.9997	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.1049	-0.0034	048 - 050	1.1058	1.1047	-	-	-	-	-	-	-
Canada	(C$)	1.4067	-0.0051	064 - 069	1.4099	1.4048	1.4045	1.9	1.4002	1.8	1.3864	1.4	82.9
Mexico	(New Peso)	8.2650	-0.09	400 - 900	8.2900	8.2400	8.38	-16.7	8.62	-17.2	9.565	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.8
Pacific/Middle East/Africa													
Australia	(A$)	1.4352	-0.0083	347 - 358	1.4363	1.4346	1.4344	0.7	1.4318	0.9	1.4211	1.0	88.5
Hong Kong	(HK$)	7.7295	-0.0015	290 - 300	7.7320	7.7285	7.7975	-10.6	7.9295	-10.3	8.2195	-6.3	-
India	(Rs)	36.5800	+0.0275	700 - 900	36.5900	36.4500	-	-	-	-	-	-	-
Israel	(Shk)	3.5321	-0.0038	277 - 365	3.5470	3.5270	-	-	-	-	-	-	-
Japan	(Y)	124.090	+0.23	050 - 130	124.250	123.800	123.56	5.1	122.41	5.4	117.565	5.3	123.4
Malaysia	(M$)	3.3175	+0.0327	125 - 225	3.3250	3.3050	3.3275	-3.6	3.362	-5.4	3.4975	-5.4	-
New Zealand	(NZ$)	1.5976	-0.0074	967 - 985	1.6056	1.5967	1.6007	-2.3	1.6061	-2.1	1.6249	-1.7	-
Philippines	(Peso)	34.3600	-0.45	100 - 100	34.7000	34.0000	34.776	-14.5	36.0395	-19.6	39.645	-15.4	-
Saudi Arabia	(SR)	3.7509	+0.0001	504 - 514	3.7515	3.7504	3.7526	-0.5	3.7544	-0.4	3.7614	-0.3	-
Singapore	(S$)	1.5723	+0.0021	715 - 730	1.5760	1.5695	1.5753	-2.3	1.5763	-1.0	1.5793	-0.4	-
South Africa	(R)	4.8245	-0.012	230 - 260	4.8370	4.8225	4.868	-10.8	4.947	-10.2	5.2545	-8.9	-
South Korea	(Won)	999.100	+19.2	000 - 200	999.200	980.000	-	-	-	-	-	-	-
Taiwan	(T$)	30.9700	+0.0215	510 - 890	31.2200	30.8890	30.981	-0.4	31.0025	-0.4	31.0825	-0.4	-
Thailand	(Bt)	37.3350	-0.715	200 - 500	38.6000	36.9000	37.47	-4.3	37.79	-4.9	39.535	-5.9	-

† SDR rate per $ for Nov 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 7: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

November 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3¾	3⅞	4	4⅛	6.00	2.75	-
France	3⅜	3¼	3½	3⅝	4⅛	3.30	-	4.60
Germany	3⅜	3⅜	3½	3⅝	4⅛	4.50	2.50	3.30
Ireland	6⅜	6¼	6¼	6⅛	5¾	-	-	6.75
Italy	6⅜	6⅝	6⅝	6¼	5⅞	7.75	6.25	6.02
Netherlands	3⅜	3⅜	3⅜	3⅝	4⅛	-	2.75	3.30
Switzerland	1⅞	1¼	1⅞	2¼	2⅜	-	1.00	-
US	5⅜	5⅝	5¾	5⅝	6⅛	-	5.00	-
Japan	¼	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅝	6	-	-	-
US Dollar CDs	-	5.45	5.48	5.51	5.69	-	-	-
ECU Linked Ds	-	4½	4⅛	4¾	4⅞	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅝	4⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¾ - 3⅝	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3½	4⅛ - 3⅞	4¼ - 4⅛
Danish Krone	3⅞ - 3⅜	3⅝ - 3¾	3⅞ - 3⅞	4⅛ - 3⅞	4¼ - 4⅛	4½ - 4⅜
German Mark	3½ - 3⅜	3½ - 3⅜	3⅜ - 3⅜	3⅞ - 3⅝	3⅞ - 3⅞	4⅛ - 4⅛
Dutch Guilder	3⅝ - 3⅞	3⅜ - 3⅞	3⅜ - 3⅛	3⅜ - 3⅜	3⅞ - 3⅞	4⅛ - 4⅛
French Franc	3⅞ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅞ - 3⅞	4⅛ - 4
Portuguese Esc.	5⅜ - 5⅜	5½ - 5⅜	5½ - 5⅜	5⅜ - 5⅜	5¼ - 5⅛	5⅛ - 5⅛
Spanish Peseta	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 4⅞	4⅞ - 4⅞
Sterling	7⅞ - 7⅝	7⅞ - 7¾	7½ - 7⅜	7⅝ - 7¼	7⅞ - 7⅜	7⅞ - 7⅜
Swiss Franc	1¾ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2⅛
Canadian Dollar	3½ - 3⅜	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	4⅜ - 4⅛	4⅜ - 4⅜
US Dollar	5⅜ - 5⅞	5⅜ - 5½	5⅝ - 5⅜	5⅜ - 5⅜	5⅞ - 5⅞	5⅞ - 5⅞
Italian Lira	6⅞ - 6⅜	6⅞ - 6⅜	6⅞ - 6⅜	6⅞ - 6⅜	6⅛ - 5⅞	5⅞ - 5¾
Japanese Yen	½ - ⅜	⅜ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜	½ - ⅜
Asian $Sing	¼ - ⅛	4¾ - 4½	5 - 4¾	5 - 4¾	5¼ - 4¾	5¼ - 4¾

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.24	96.23	+0.01	96.25	96.22	11,047	52,482
Mar	95.95	95.94	+0.02	95.97	95.93	9,503	53,906
Jun	95.68	95.68	+0.03	95.71	95.68	7,334	31,913

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.19	96.18	-0.01	96.19	96.17	16961	297776
Mar	95.94	95.91	-0.03	95.95	95.90	20238	313663
Jun	95.68	95.66	-0.03	95.69	95.65	14008	285061
Sep	95.49	95.47	-0.03	95.49	95.46	12704	205884

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		96.46	-0.01			0	148
Dec		96.17	-0.02			0	6109
Jan		96.24	-0.02			0	200
Feb		96.13	-0.02			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.67	93.62	-0.03	93.67	93.62	2598	105346
Mar	94.36	94.34	-0.01	94.36	94.33	5761	109958
Jun	94.84	94.84	-0.01	94.84	94.82	5121	111156
Sep	94.99	94.98	-0.01	94.99	94.97	1692	66806

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.92	97.90	-0.03	97.94	97.87	6477	73558
Mar	97.74	97.71	-0.03	97.74	97.67	8519	55224
Jun	97.53	97.51	-0.03	97.54	97.49	794	33214
Sep	97.34	97.34	-0.03	97.37	97.31	230	20041

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.49	-			0	0
Mar		99.47	-			0	0
Jun		99.40	-0.02			0	0

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.35	95.32	-0.02	95.35	95.31	166	8912
Mar	95.26	95.24	-0.03	95.26	95.24	98	6661
Jun	95.20	95.20	-0.03	95.20	95.20	135	5930
Sep	95.14	95.14	-0.03	95.14	95.14	36	6693

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.20	0.88	1.37	0.08	0.04	0.03
9375	0.08	0.67	1.13	0.21	0.08	0.04
9400	0.02	0.46	0.91	0.40	0.12	0.07

Est. vol. total, Calls 6333 Puts 1470. Previous day's open int., Calls 228864 Puts 118721

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.23	4.846	1.865	4748	5.458	19.71	494.5	409.3	21.21	3.943	1.678	3.983	2.832	351.4	2.456
Denmark	(DKr)	54.21	10	8.801	2.627	1.011	2574	2.959	10.68	268.1	221.9	11.50	2.137	0.910	2.159	1.535	190.5	1.331
France	(FFr)	61.60	11.36	10	2.985	1.149	2925	3.362	12.14	304.6	252.1	13.06	2.429	1.034	2.453	1.744	216.4	1.513
Germany	(DM)	20.63	3.806	3.350	1	0.385	979.8	1.126	4.067	102.0	84.45	4.376	0.814	0.346	0.822	0.584	72.50	0.507
Ireland	(I£)	53.61	9.890	8.704	2.598	1	2546	2.926	10.57	265.2	219.4	11.37	2.114	0.900	2.136	1.518	188.4	1.317
Italy	(L)	2.106	0.389	0.342	0.102	0.039	100	0.115	0.415	10.42	8.619	0.447	0.083	0.035	0.084	0.060	7.400	0.052
Netherlands	(Fl)	18.32	3.380	2.975	0.888	0.342	870.0	1	3.611	90.61	74.99	3.886	0.722	0.308	0.730	0.519	64.38	0.450
Norway	(NKr)	50.74	9.359	8.237	2.459	0.946	2409	2.769	10	250.9	207.7	10.76	2.001	0.852	2.021	1.437	178.3	1.246
Portugal	(Es)	20.22	3.730	3.283	0.980	0.377	960.1	1.104	3.985	100	82.76	4.288	0.797	0.339	0.805	0.573	71.05	0.497
Spain	(Pta)	24.43	4.507	3.967	1.184	0.456	1160	1.334	4.816	120.8	100	5.182	0.963	0.410	0.973	0.692	85.85	0.600
Sweden	(SKr)	47.16	8.699	7.655	2.285	0.880	2239	2.574	9.294	233.2	193.0	10	1.859	0.791	1.878	1.335	165.7	1.158
Switzerland	(SFr)	25.36	4.679	4.117	1.229	0.473	1204	1.384	4.999	125.4	103.8	5.378	1	0.426	1.010	0.718	89.11	0.623
UK	(£)	59.58	10.99	9.673	2.888	1.111	2829	3.252	11.74	294.7	243.9	12.64	2.349	1	2.373	1.687	209.4	1.463
Canada	(C$)	25.11	4.631	4.076	1.217	0.468	1192	1.370	4.948	124.2	102.8	5.324	0.990	0.421	1	0.711	88.21	0.617
USA	($)	35.32	6.515	5.734	1.712	0.659	1677	1.928	6.961	174.7	144.5	7.490	1.393	0.593	1.407	1	124.1	0.867
Japan	(Y)	28.46	5.250	4.620	1.379	0.531	1351	1.553	5.609	140.8	116.5	6.036	1.122	0.478	1.134	0.806	100	0.699
Ecu	-	40.72	7.511	6.610	1.973	0.759	1933	2.222	8.025	201.4	166.6	8.635	1.605	0.683	1.622	1.153	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5866	0.5837	-0.0037	0.5875	0.5827	32,882	77,813
Mar	0.5859	0.5857	-0.0045	0.5863	0.5855	302	3,155
Jun	-	0.5887	-0.0040	-	0.5887	2	2,659

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8093	0.8107	+0.0015	0.8118	0.8090	30,325	127,195
Mar	0.8218	0.8222	+0.0021	0.8225	0.8218	68	1,360
Jun	0.8340	0.8340	+0.0028	0.8340	0.8340	51	264

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7213	0.7179	-0.0041	0.7213	0.7169	24,970	51,502
Mar	0.7242	0.7239	-0.0046	0.7242	0.7235	211	2,637
Jun	-	0.7310	-0.0039	-	0.7310	2	267

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6826	1.6788	-0.0116	1.6844	1.6770	6,863	50,822
Mar	1.6690	1.6706	-0.0128	1.6740	1.6690	26	623
Jun	-	1.6660	-0.0096	-	1.6630	1	74

UK INTEREST RATES

LONDON MONEY RATES

Nov 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 5	7⅜ - 7¼	7½ - 7⅜	7⅝ - 7⅜	7¾ - 7⅝	7⅞ - 7⅜
Sterling CDs	-	-	7⅜ - 7⅛	7⅜ - 7⅜	7⅝ - 7⅝	7⅞ - 7⅝
Treasury Bills	-	-	7¼ - 7⅛	7¼ - 7⅛	-	-
Bank Bills	-	-	7¼ - 7⅛	7⅜ - 7⅜	7⅜ - 7¼	-
Local authority deps.	6⅞ - 6¾	7 - 6¾	7¼ - 7⅜	7⅜ - 7⅜	7⅜ - 7¼	7½ - 7⅜
Discount Market deps	7¼ - 7	7¼ - 7	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Nov 7, 7.2185pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1997. Agreed rate for period Nov 26, 1997 to Dec 23, 1997, Scheme III 8.59pc. Reference rate for period Oct 1, 1997 to Oct 31, 1997, Schemes IV & V 7.344pc. Finance House Base Rate 7½pc from Nov 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.38	92.38	-0.01	92.42	92.38	19533	142169
Mar	92.30	92.26	-0.05	92.32	92.26	11996	126060
Jun	92.33	92.27	-0.07	92.34	92.26	17300	99264
Sep	92.44	92.39	-0.07	92.46	92.38	8987	74742
Dec	92.62	92.58	-0.06	92.64	92.58	2437	65222

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9225	0.16	0.17	0.25	0.03	0.16	0.23
9250	0.03	0.07	0.14	0.15	0.31	0.37
9275	0.01	0.02	0.07	0.38	0.51	0.55

Est. vol. total, Calls 2838 Puts 3692. Previous day's open int., Calls 215899 Puts 217703

EMS EUROPEAN CURRENCY UNIT RATES

Nov 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.758069	-0.002644	-5.09	7.86	34
Italy	1906.48	1930.34	-1.61	1.25	1.10	-9
Finland	5.85424	5.93600	+0.00002	1.40	0.96	-9
Spain	163.826	166.407	+0.032	1.58	0.78	-11
Portugal	197.398	201.207	+0.078	1.93	0.43	-13
Denmark	7.34555	7.50055	+0.00415	2.11	0.25	-14
France	6.45863	6.59874	+0.00362	2.17	0.20	-18
Germany	1.92573	1.97045	+0.001	2.32	0.05	-23
Belgium	39.7191	40.6502	+0.0245	2.34	0.03	-17
Netherlands	2.16979	2.22121	+0.00119	2.37	0.00	-18
Austria	13.5485	13.8694	+0.007	2.37	0.00	-17
NON ERM MEMBERS						
Greece	295.269	309.298	-1.249	4.75	-2.27	-
UK	0.793103	0.682059	-0.001471	-14.00	19.04	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.680	1.75	2.58	3.29	0.54	1.63	2.54
1.690	1.12	2.09	2.78	0.91	2.09	3.03
1.700	0.66	1.64	2.39	1.48	2.60	3.60

Previous day's vol., Calls 110 Puts 871. Prev. day's open int., Calls 30,002 Puts 32,476

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.580	0.86	1.29	1.62	0.16	0.50	0.74
0.585	0.52	0.99	1.34	0.33	0.70	0.95
0.590	0.29	0.74	1.08	0.58	0.95	1.19

Previous day's vol., Calls 107 Puts 359. Prev. day's open int., Calls 11,876 Puts 34,745

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.18	94.19	-0.02	94.19	94.16	120,477	536,706
Mar	94.14	94.14	-0.03	94.15	94.13	176,238	430,524
Jun	94.09	94.09	-0.02	94.09	94.08	141,852	343,509

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.86	94.85	-0.02	94.86	94.84	423	4,708
Mar	95.01	95.01	-0.04	95.02	95.01	216	5,002
Jun	95.00	94.98	-0.02	-	94.98	179	538

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.19	0.20	0.06	0.10	0.01	0.02	0.15	0.19
9625	0.01	0.04	0.01	0.03	0.08	0.11	0.35	0.37
9650	0	0.01	0	0	0.32	0.33	0.59	0.59
9675	0	0	0	0	0.57	0.57	0.84	0.84

Est. vol. total, Calls 12797 Puts 4430. Previous day's open int., Calls 393075 Puts 318670

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.08	0.10	0.10	0.18	0.39	0.59
9825	0.03	0.04	0.05	0.38	0.58	0.79

Est. vol. total, Calls 250 Puts 0. Previous day's open int., Calls 3075 Puts 3269

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.00		
Cyprus Popular Bank	7.25	●Rea Brothers	7.00		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.25		

COMMODITIES AND AGRICULTURE

Copper deals boost outlook in Zambia

By Kenneth Gooding, Mining Correspondent

Prospects for the revitalisation of Zambia's "copper belt" have improved substantially after agreement in principle for the sale of Zambia Consolidated Copper Mines' two biggest divisions, Nkana and Nchanga, to the Kafue consortium of international mining companies.

Agreement has also been reached for the sale of ZCCM's Chambishi copper mine to Ivanhoe Capital Corporation, the venture capital vehicle of Robert Friedland, the mining promoter and entrepreneur.

No financial details will be given until final contracts are signed – which the Zambian government expects will be by the year-end.

However analysts suggest that the consortium paid $250m cash for Nkana/Nchanga and has undertaken to spend between $300m and $400m to double annual production from the present 172,000 tonnes of copper and 4,250 tonnes of cobalt.

There is also a commitment to double annual output again with a second expansion project.

This will go a long way to bringing Zambia's copper production back towards its peak of 720,000 tonnes, reached in 1969 when it was the world's fourth biggest producer. By 1996 output had fallen to 320,000 tonnes.

The Kafue consortium includes Avmin of South Africa, Noranda of Canada, Phelps Dodge of the US, and the Commonwealth Development Corporation, the UK's development finance institution. Phelps Dodge is the leading shareholder in Zamefa, a Zambian copper wire and cable producer.

Analysts suggest ZCCM will collect about $20m for Chambishi, which has been on "care and maintenance" for some time after closing because of poor mining practices and a low copper price.

Ivanhoe intends to spend between $75m and $100m over five years to restart mining and take annual copper output to 40,000 tonnes.

The proposed deal is another example of the tough conditions for small mining companies because of stock market turmoil, a low gold price and falling copper prices. In Zambia there is also the threat of political instability after last month's unsuccessful coup.

African Mineral Fields, the private Canadian company Mr Friedland is backing, was the obvious vehicle to take on the Chambishi project. For example, AMF bid for ZCCM's Konkola North project, but lost to Avmin. AMF also has extensive land holdings in Congo (the former Zaire) and is exploring in South Africa.

An Ivanhoe official said it was difficult for AMF to raise money at present and it was too early to say whether Chambishi would become part of AMF.

Following the sale of Nkana\Nchanga, the future of Zambia's copper industry also rests heavily on the Konkola Deep project. A consortium led by Zambia Copper Investments, which is 50.6 per cent owned by Anglo American Corporation of South Africa, hopes to have a feasibility study completed by the middle of next year. It estimates it will cost $700m to $800m to develop Konkola Deep.


Operations at Nchanga copper mine. Output is set to double

IPE and Nymex in trading link

By Nikki Tait in Chicago

The New York Mercantile Exchange and London's International Petroleum Exchange yesterday unveiled their plan to develop a joint electronic trading system.

The world's two leading oil exchanges have been negotiating for several months on how to develop global 24-hour trading. The new system will be used for after-hours trades.

The latest link between Nymex and the IPE comes as the London exchange is pondering its future after a slowdown in trading volumes in its main contracts.

Lynton Jones, IPE chief executive, said recommendations on whether to keep open-outcry trading and on the possibility of demutualisation or mergers should be made early next year.

He added, however, that the latest agreement with Nymex – first mooted in March, when the two exchanges talked about seeking areas of co-operation – should not be seen as having any direct bearing on the review.

Nymex and the IPE will share the costs of the project, which will use the IPE energy trading system as its core platform. Contracts are expected to be signed in the next few weeks and the system should be ready by mid-1999.

Patrick Thompson, Nymex president, said the goal was to globalise energy futures markets into a "seamless, virtually round-the-clock trading day. This agreement brings us one step closer to that."

● The IPE also said it was considering other natural gas contracts after the launch of its natural gas futures contract in January. The options include a quarterly contract.

COMMODITIES NEWS DIGEST

India plans castor oil futures market

India is planning to launch a market for castor oil futures, in its second attempt to set up an international commodities exchange. The Bombay Oilseeds and Oils Exchange says castor oil trading will start by March 1998. It is using the planned international pepper futures exchange in Cochin as a model. The launch of the Cochin exchange has been plagued by delays but is expected to start trading later this month after a number of failures to gain official clearance.

Officials say the castor oil project should keep to schedule. Much of the infrastructure for the exchange is already in place in New Bombay and gaining permission for the repatriation of profits by foreign traders should be routine after that facility was granted to Cochin.

The biggest challenge is to ensure a sufficiently large number of foreign traders on the exchange. "India being the world's largest producer of castor oil, it is appropriate that the international exchange is set up here," said an official at the East India Oil Industry & Trades Association. "The country's production of castor oil fell to a little over 200,000 tonnes in 1996-97 from nearly 300,000 tonnes a year earlier. Castor oil prices are rising and we expect the market to remain bullish. India exports more than 90 per cent of its production of castor oil." *Kunal Bose, Calcutta*

■ GOLD MINING

Charges over clash in Greece

Five village mayors from northern Greece were yesterday charged with inciting clashes between police and angry locals who tried to stop the operations of a Canadian mining company drilling for gold in the area.

Toronto-based TVX Gold, one of Greece's largest foreign investors, has faced vociferous opposition to its plans to build a gold processing plant near the seaside town of Olympiada, about 100 miles south-east of Salonica.

The mayors were arrested at their homes after demonstrations on Sunday when hundreds of villagers tried to stop the exploratory drilling. Nine police officers and at least four protesters were reported to have been injured. Protestors overturned and wrecked five police cars, set fire to one drill and damaged another.

Police said that about 400 local residents armed with iron bars, clubs, stones and hunting rifles clashed with riot police preventing them from approaching the TVX site. Sofia Papasotiriou, for the demonstrators, put the protest figure closer to 3,000 and claimed it was a peaceful march until riot police fired smoke canisters.

A public prosecutor in Salonica charged the mayors with "morally instigating illegal actions" and set a trial date for December 11. There were fresh demonstrations yesterday, with reports that a roadblock had been set up on a main northern highway.

Costa Sinis, president of TVX Hellas, the local company set up to run the operations, said he could not put a price on the damage. "I don't have the exact cost, but these are very expensive machines," he explained.

He said the latest violence had come days after the start of exploratory drilling between the villages of Olympias and Varvara to determine the best position among four different areas for a tailings pond – a site for waste materials. *Agencies*

Investment fund selling hits crude oil

MARKETS REPORT

By Gary Mead in London and Nikki Tait in Chicago

Predictions that continuing tension between Iraq and the United Nations would buoy oil were defied on the New York Mercantile Exchange yesterday, as crude oil futures fell at the opening.

December-dated crude fell 19 cents to $20.58 a barrel, with investment funds leading the selling, specialists said. On London's International Petroleum Exchange, December dated Brent followed suit, losing 15 cents to $19.64 a barrel.

Traders pointed to low trading volumes in futures as an indication that the market was awaiting fresh developments in the stand-off between Iraq and the UN.

Grain contracts on the Chicago Board of Trade eased back in the morning session after the US Department of Agriculture released estimates of the year-end supply/demand position.

The USDA forecasts put year-end corn stocks at 928m bushels, up 147m bushels from its previous estimate and a figure that analysts saw as bearish for prices. Soyabean stocks were forecast at 255m bushels for the end of the 1997-98 crop year.

Corn prices dipped sharply at the opening, but by midday had narrowed the losses slightly. The December contract, for example, was down 7 cents at about $2.76. Soyabean futures price fell more modestly, driven in part by movements in the corn pit. The November soyabean contract eased almost 17 cents to $7.23.

In soft commodities, the International Sugar Organisation's latest monthly report suggested that Russia's final beet crop may be as low as 15.2m tonnes, and that domestic production will as a result "cover less than four months of sugar consumption ... The biggest world sugar importer may appear in the market with a strong demand in December or January".

Such demand, before the peak of Cuban and central American exports, "may push prices up to 13 cents a pound", the ISO said. On the Coffee, Sugar and Cocoa Exchange in New York the March sugar future was marginally lower at midday, at 12.22 cents a pound.

Coffee futures bounced back on the London International Financial Futures Exchange following news from the Association of Coffee Producing Countries that its members' exports in 1997-98 would be 3.85m 60kg bags less than the planned figure of 52.75m bags.

The January future on Liffe closed $39 a tonne higher at $1,609 a tonne, while on the CSCE the December contract had hit a three-week high of 156.50 cents a pound, up 6.70 cents, by midday.

Eramet, the French nickel producer, said yesterday it had declared force majeure on nickel metal deliveries from its Sandouville refinery, near Le Havre, largely because of a lack of New Caledonian supplies, which had been disrupted by trade union action.

Nickel broke through the $6,300 barrier to close at $6,310 a tonne, up $40 a tonne. Copper also rallied, closing at $2,007 a tonne by the end of the afternoon "kerb", a gain of $34.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1596-7	1625-6
Previous	1593.5-94.5	1621-22
High/low		1632/1621
AM Official	1593.5-94	1622-22.5
Kerb close		1632-3
Open int.	255,716	
Total daily turnover	40,727	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1475-80	1482-7
Previous	1470-80	1480-85
High/low		1490/1481
AM Official	1470-75	1480-81
Kerb close		1487-90
Open int.	6,352	
Total daily turnover	486	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	580-81	592.5-3.0
Previous	571-72	582-83
High/low		595/587
AM Official	574-5	587-8
Kerb close		591-2
Open int.	31,554	
Total daily turnover	5,187	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6195-205	6280-85
Previous	6185-95	6270-80
High/low		6320/6270
AM Official	6180-85	6270-75
Kerb close		6305-10
Open int.	60,707	
Total daily turnover	12,635	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5650-55	5630-40
Previous	5685-95	5640-50
High/low		5640/5625
AM Official	5665-70	5620-30
Kerb close		5630-35
Open int.	15,545	
Total daily turnover	3,935	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1188.5-9.5	1192.5-3.0
Previous	1174-75	1196-97
High/low		1202/1185
AM Official	1171-72	1185-86
Kerb close		1185-6
Open int.	83,122	
Total daily turnover	17,590	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1978.5-9.5	1994-5
Previous	1953-54	1970-71
High/low	1953.5	2009/1967
AM Official	1953-53.5	1969-70
Kerb close		2006-7
Open int.	156,885	
Total daily turnover	33,697	

■ LME AM Official £/$ rate: 1.6806
LME Closing £/$ rate: 1.6865

Spot: 1.6935 3 mths: 1.6863 6 mths: 1.6785 9 mths: 1.6718

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	90.30	+1.50	91.50	90.25	244	3,019
Dec	90.65	+1.45	92.00	89.20	4,675	30,839
Jan	90.80	+1.35	91.80	89.90	105	1,329
Feb	90.90	+1.40	91.20	90.00	23	1,383
Mar	90.90	+1.35	92.10	89.60	1,431	10,100
Apr	90.90	+1.40	-	89.50	17	1,280
Total					6,694	85,897

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	310.70-311.20		
Opening	308.90-309.20		
Morning fix	309.70	184.017	431.815
Afternoon fix	310.75	184.619	434.429
Day's High	310.90-311.20		
Day's Low	308.60-308.90		
Previous close	308.50-309.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.09	6 months	3.44
2 months	3.08	12 months	3.56
3 months	3.13		

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.50	487.00
3 months	292.90	490.60
6 months	295.95	493.60
1 year	303.10	501.55

Gold Coins	$ price	£ equiv.
Krugerrand	313-316	185-187
Maple Leaf	-	-
New Sovereign	73-76	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	310.3	-0.1	-	-	-	-
Dec	311.1	-0.1	312.0	309.6	40,924	111.1k
Feb	312.4	-0.2	313.3	312.0	2,335	34,024
Apr	314.3	-0.2	315.2	314.0	385	7,444
Jun	316.4	-0.2	317.4	316.5	283	11,509
Aug	316.5	-0.2	-	317.8	115	4,606
Total					44,351	220,847

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	387.4	-1.6	392.8	386.1	3,439	10,561
Apr	382.9	-1.8	389.0	382.0	123	1,415
Jul	379.9	-1.6	384.0	384.0	34	86
Total						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	205.65	+0.80	206.00	203.00	463	2,766
Mar	201.65	+0.80	201.50	200.50	79	1,321
Jun	196.15	+0.80	-	-	2	111
Sep	195.15	+0.80	-	-	2	2
Total						

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	484.9	+1.4	-	-	36	19
Dec	486.3	+1.3	488.5	482.5	15,330	51,773
Jan	488.1	+1.3	-	-	7	27
Mar	491.9	+1.2	494.0	490.5	2,451	27,215
May	494.5	+0.9	-	-	16	2,795
Jul	497.1	+0.7	-	-	21	3,793
Total					18,322	94,879

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	20.42	-0.36	21.10	20.35	58,797	82,310
Jan	20.61	-0.33	21.25	20.55	35,229	70,344
Feb	20.64	-0.30	21.20	20.63	7,388	38,545
Mar	20.62	-0.25	20.95	20.60	2,988	22,725
Apr	20.65	-0.13	20.65	20.51	1,547	16,596
May	20.45	-0.24	20.55	20.45	2,735	18,265
Total					120,250	409,443

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	19.49	-0.30	20.06	19.45	17,042	44,791
Jan	19.55	-0.28	20.10	19.50	15,749	60,613
Feb	19.47	-0.30	20.01	19.44	4,597	27,185
Mar	19.50	-0.14	19.50	19.34	94	6,623
Apr	19.40	-0.10	19.74	19.35	260	5,472
May	19.38	-	19.42	19.29	756	5,155
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	57.40	-0.59	58.80	57.30	16,623	55,099
Jan	58.20	-0.74	59.64	58.10	6,309	28,300
Feb	58.40	-0.74	59.10	58.40	936	13,902
Mar	58.05	-0.44	58.50	57.90	1,097	9,425
Apr	56.60	-0.34	57.10	56.55	196	5,524
May	55.20	-0.39	58.10	55.25	350	3,742
Total					27,287	126,886

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	179.50	-1.25	182.75	178.50	10,848	21,354
Dec	180.00	-1.50	183.75	179.25	11,100	27,714
Jan	180.50	-1.75	183.75	180.25	961	14,237
Feb	180.25	-1.50	182.75	180.00	587	9,773
Mar	178.00	-1.50	178.25	178.25	70	6,201
Apr	175.50	-1.25	175.50	175.50	50	3,447
Total					22,691	100,640

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Dec	15.540	+0.540	15.550	15.200	150	1,215
Jan	19.750	+0.190	19.850	19.750	75	2,535
Total					435	11,095

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	3.395	+0.139	3.450	3.290	29,336	53,963
Jan	3.390	+0.138	3.425	3.305	10,835	33,036
Feb	3.030	+0.070	3.060	3.000	4,151	24,292
Mar	2.665	+0.030	2.690	2.660	1,618	17,235
Apr	2.360	+0.010	2.375	2.345	1,051	10,654
May	2.265	+0.010	2.285	2.263	385	8,618
Total					49,365	233,427

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	59.15	-0.80	60.55	59.00	14,175	34,239
Jan	59.30	-0.92	60.80	59.25	9,527	19,514
Feb	59.55	-0.87	60.20	59.55	4,202	10,705
Mar	61.55	+0.65	61.20	60.45	1,359	6,182
Apr	62.75	-0.55	62.90	62.75	1,048	6,529
May	62.55	-	62.55	62.55	1,247	5,298
Total					33,518	94,698

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	81.00	-0.25	80.75	80.75	9	182
Jan	83.20	-0.20	83.30	82.50	97	3,068
Mar	85.20	-0.20	85.50	84.55	98	3,010
May	87.20	-0.20	87.35	86.50	186	2,196
Jul	89.20	-0.20	89.25	89.00	14	196
Total					404	8,762

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	350.00	-8.00	357.00	347.00	10,066	48,718
Mar	365.50	-8.25	373.25	362.00	5,364	28,741
May	372.50	-9.50	379.50	370.00	402	6,350
Jul	377.00	-7.50	382.50	375.00	846	16,604
Sep	382.00	-6.00	388.00	388.00	113	170
Dec	390.00	-8.00	395.00	391.00	59	3,098
Total					16,738	103,788

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	275.75	-8.25	285.25	275.00	33,318	171,591
Mar	285.75	-8.00	295.00	285.00	13,131	107,022
May	292.00	-7.75	300.50	291.00	2,320	31,428
Jul	295.75	-7.00	303.50	295.25	3,407	43,305
Sep	289.25	-5.00	291.50	289.00	144	4,088
Dec	289.25	-5.25	291.50	288.75	1,165	28,511
Total					53,488	387,447

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	75.50	-	-	-	-	28
Jan	78.00	-	78.10	77.45	62	1,283
Mar	80.50	-	80.50	80.00	35	516
May	82.25	-	-	-	-	23
Sep	81.00	-	-	-	-	6
Total					97	1,856

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	721.75	-17.50	744.75	719.00	6,520	10,602
Jan	721.50	-18.00	741.50	718.50	44,544	72,459
Mar	724.00	-19.50	743.50	721.50	7,084	25,758
May	727.75	-17.50	741.00	726.00	3,911	18,543
Jul	731.50	-17.25	748.50	729.00	5,575	17,505
Aug	726.00	-19.00	738.50	724.50	42	818
Total					68,673	152,508

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.63	-0.15	26.14	25.46	10,147	47,952
Jan	25.83	-0.14	26.02	25.66	3,891	30,226
Mar	26.06	-0.14	26.23	25.90	3,435	17,369
May	26.19	-0.16	26.30	26.00	382	9,657
Jul	26.30	-0.13	26.35	26.20	601	8,691
Aug	26.10	-0.15	26.35	25.95	104	920
Total					18,663	116,226

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	235.0	-10.0	245.8	235.0	13,930	43,810
Jan	228.8	-8.8	237.2	227.7	5,442	26,018
Mar	224.4	-8.1	234.0	223.0	4,539	21,255
May	221.5	-7.2	228.0	219.7	2,267	17,922
Jul	221.5	-8.0	227.0	220.0	763	12,067
Aug	220.5	-7.7	227.5	220.0	309	2,885
Total					27,849	129,812

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	105.0	+13.0	-	-	-	-
Apr	141.5	+13.5	142.0	133.0	240	1,118
May	151.5	+13.5	-	-	-	22
Jun	162.5	+13.5	-	-	-	-
Nov	95.0	+2.0	-	-	-	3
Total					240	1,148

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1242	+7	1236	1236	90	660
Dec	1265	-5	1265	1262	8	216
Jan	1295	-10	1295	1295	13	624
Apr	1325	-10	1325	1325	-	353
Jul	1195	-20	1200	1195	10	85
Total					119	1,988

	Close	Prev
BFI	1283	1288

PULP AND PAPER

■ PULPEX OMLX ($8; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	548.60	-5.50	551.25	545.75	87	236
Mar	568.50	-3.50	571.00	568.50	24	370
Total					131	740

FUTURES DATA
All futures data supplied by CMS.

Wool *from Mallet and Co*
Wool lost a little ground this week in terms of the Australian dollar, and the main eastern market indicator closed down 7 cents at 706 cents a kg, after moving up 21 cents in the previous week. The New Zealand indicator again showed little change, 2 NZ cents down at 459 NZ cents a kg. In the UK the latest unexpected rise in interest rates will add to uncertainties. Wool may be cheaper to buy, but for the textile industry export pricing problems remains. The wool market is hovering without a clear sense of direction, and traders are not so confident as they were before the wool selling season opened in July.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1042	+5	1050	1040	1,185	43,212
Mar	1068	+6	1076	1065	1,988	55,304
May	1086	+5	1093	1086	203	23,789
Jul	1103	+5	1111	1106	102	10,148
Sep	1120	+5	1128	1120	337	19,034
Dec	1135	+5	1139	1134	33	21,704
Total					4,038	198,530

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1611	+10	1617	1605	5,011	18,240
Mar	1659	+9	1665	1653	6,021	44,453
May	1686	+9	1692	1680	1,422	15,544
Jul	1706	+9	1715	1705	30	4,046
Sep	1730	+13	1732	1724	28	5,294
Dec	1749	+11	-	1734	23	8,914
Total					12,585	167,819

■ COCOA (ICCO) (SDR's/tonne)

Nov 7	Price	Prev. day
Daily	1235.51	1244.97

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1599	+49	1591	1568	114	1,489
Jan	1609	+39	1610	1572	4,838	21,739
Mar	1604	+34	1604	1570	1,808	10,552
May	1601	+31	1598	1571	337	3,139
Jul	1604	+31	1602	1580	177	765
Sep	1610	+30	-	-	-	389
Total					7,274	38,113

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	156.65	+7.05	158.00	150.50	4,664	8,797
Mar	144.85	+4.00	145.90	141.50	2,006	8,958
May	141.15	+3.65	141.00	138.25	319	2,866
Jul	137.25	+4.00	137.00	135.00	239	2,067
Sep	133.75	+3.25	133.75	132.75	46	1,079
Dec	130.75	+3.00	130.75	130.00	16	883
Total					7,298	24,819

■ COFFEE (ICO) (US cents/pound)

Nov 7		Prev. day
Comp. daily	114.39	112.96
15 day average	114.49	114.73

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	305.1	-2.6	308.0	304.5	2,154	8,767
Mar	313.4	-2.1	316.0	313.0	1,642	19,610
May	318.2	-0.7	319.1	317.5	285	4,006
Aug	319.9	-1.0	320.5	319.7	414	3,881
Oct	316.3	+0.1	316.1	315.5	101	3,289
Dec	313.5	-0.5	-	-	-	140
Total					4,596	39,726

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.18	-0.07	12.27	12.16	9,222	121.6k
May	12.18	-0.01	12.22	12.15	3,381	28,560
Jul	11.92	-0.01	11.95	11.91	2,099	22,636
Oct	11.76	-0.01	11.80	11.75	725	22,366
Mar	11.60	-	11.62	11.60	398	5,833
May	11.55	-	11.57	11.57	83	632
Total					15,978	202,298

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	69.93	-2.14	71.00	69.65	6,820	40,943
Mar	71.57	-1.69	72.25	71.30	4,575	18,848
May	72.56	-1.56	73.20	72.41	769	10,604
Jul	73.45	-1.36	74.30	73.45	199	10,498
Oct	74.63	-0.72	75.05	74.75	25	829
Dec	75.09	-0.46	75.50	74.85	355	10,934
Total					12,743	93,987

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	77.90	+2.75	78.00	75.30	2,116	20,069
Mar	80.90	+2.30	81.00	78.30	998	11,946
May	84.00	+2.50	84.00	81.80	148	3,133
Jul	87.00	+4.00	87.00	85.00	39	1,226
Sep	89.75	+3.75	90.25	88.75	23	773
Nov	92.25	+3.25	92.00	91.50	41	663
Total					3,515	38,294

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 10	Nov 7	month ago	year ago
1815.6	1811.7	1885.6	1882.2

■ CRB Futures (Base: 1967 = 100)

Nov 7	Nov 6	month ago	year ago
241.35	240.93	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 7	Nov 6	month ago	year ago
203.53	203.66	202.31	203.14

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,900	to	726,925
Aluminium alloy	-480	to	46,180
Copper	-1,075	to	344,775
Lead	-100	to	116,350
Nickel	-188	to	66,432
Zinc	+6,100	to	478,175
Tin	-100	to	9,375

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.675	-0.200	67.150	66.600	6,879	35,264
Feb	69.100	-0.150	69.300	68.850	4,340	30,209
Apr	72.475	-0.100	72.800	72.375	2,149	15,740
Jun	70.575	+0.125	70.650	70.250	692	11,193
Aug	70.500	+0.050	70.800	70.450	363	3,883
Oct	72.150	+0.050	72.560	71.950	213	1,197
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	61.150	+0.175	61.200	60.650	3,970	18,330
Feb	61.800	-0.100	62.100	61.450	2,497	11,461
Apr	58.650	+0.025	58.725	58.400	770	4,801
Jun	65.525	+0.100	65.650	65.450	311	3,437
Jul	64.200	+0.150	64.300	64.050	127	1,251
Aug	62.350	-0.025	62.350	62.150	24	237
Total						

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	61.050	-0.100	61.950	60.800	1,394	5,976
Mar	60.325	-0.025	61.175	60.300	147	946
May	60.925	+0.050	61.900	60.700	40	397
Jul	62.375	-0.175	62.550	62.025	16	372
Aug	58.000	-	58.400	-	1	19
Total						

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1500	121	153	3	14
1600	40	84	20	42
1700	6	38	85	95
■ COPPER (Grade A) LME	**Dec**	**Mar**	**Dec**	**Mar**
1900	123	155	11	41
2000	55	97	42	80
2100	18	56	105	137
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
n/a				
n/a				
n/a				
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	**Dec**	**Jan**	**Dec**	**Jan**
1950	-	-	-	64
2000	9	-	7	-
2050	-	40	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.69-8.79w	-0.34
Brent Blend (dated)	$19.04-9.06	-0.215
Brent Blend (Dec)	$19.56-9.57	-0.295
W.T.I.	$20.47-0.49w	-0.36

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	
Gas Oil	$182-185	-1
Heavy Fuel Oil	$103-105	
Naphtha	$198-200	
Jet fuel	$203-205	+2
Diesel	$192-194	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.40-15.50	+0.45

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

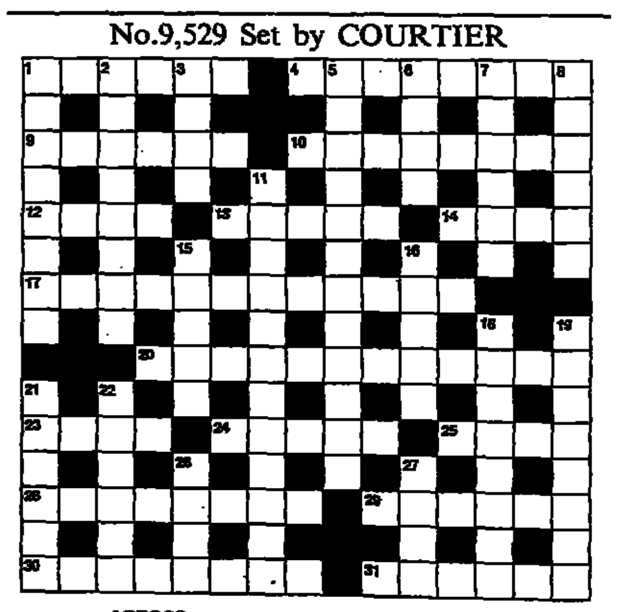
Gold (per troy oz)♣	$310.95	+2.20
Silver (per troy oz)♣	488.50c	+6.50
Platinum (per troy oz.)	$392.50	-5.50
Palladium (per troy oz.)	$206.00	+1.00
Copper	94.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	17.82r	
Tin (New York)	266.5	+6.0
Cattle (live weight)	94.11p	-2.24*
Sheep (live weight)	106.39p	+4.92*
Pigs (live weight)†	70.25p	-3.56*
Lon. day sugar (raw)	$289.50	
Lon. day sugar (wte)	$304.50	+0.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)¶	54.50p	
Rubber (Jan)¶	54.50p	
Rubber (KL RSS No1)	287.0z	-1.50
Coconut Oil (Phil)§	635.0z	+5.0
Palm Oil (Malay.)§	565.0w	+12.5
Copra (Phil)§	$415.0	
Soyabeans (US)	192.0z	+2.0
Cotton Outlook'A' Index	77.40c	
Wooltops (64s Super)	408p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Nov/Dec. w Dec. ¶London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,529 Set by COURTIER



ACROSS

1 Sounds attend importance (6)
4 Arranged fair about dead organisation (8)
9 At home with understanding unimpaired (6)
10 Particular page in points Alice prepared (8)
12 So hesitant to start (4)
13 Shy about my friend initially, is at ease (5)
14 Twelve, short of two, disrupted strike (4)
17 Open to infuriate, wise man's gift (12)
20 Considering to go into antigin riot (12)
23 Lady who is obviously not an artist (4)
24 A step to operation (5)
25 Fly back seaweed (4)
28 A number unmoved after Egyptian is over the moon (8)
29 Graduate, so it is in order describing Chairman's thoughts (6)
30, 31 Insomniac's sufferings displayed soundly by round table agitators, perhaps? (8,6)

DOWN

1 Post a letter to the wreck? (5,3)
2 Complete irregular triangle (8)
3 Dispose of Liebfraumilch, for example (4)
5 Alienation may produce diocesan tiff (12)
6 Because rehabilitation programme has an operator .... (4)
7 .... let aid distribution be followed .... (6)
8 .... then become enlarged (6)
11 Against weapons receipts (12)
15 Penniless family in the street (5)
16 is replaced with cap to produce jelly (5)
18 May be finished like the devil (8)
19 Shakes when I gas excitedly about the gallery (8)
21 Finish organ composition to inspire affection (6)
22 Councillor, the flower of Oxford, follows moment of danger (6)
26 Back left, go slow to humiliate (4)
27 Ladies' wear newly raised with missing editor (4)

Solution to Saturday's prize puzzle on Saturday November 22.
Solution to yesterday's prize puzzle on Monday November 24.

هكذا من الاصل

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il futures mark

CROSSWORD

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (FSA RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

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	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
BAii Asset Management Ltd					
10 Piccadilly, London W1V 0EE 0171 734 3700					
Intermarket NAV Oct 15 F		$673.88		+9.00	-
Interportfolio Fund					
Convertible (US$) Aug 31		$272.58		-	-
Convertible (FFr) Aug 31 F		FFr3307.57		-	-
Bank Von Ernst & Cie AG					
Marktgasse 63/65, 3011 Berne, Switzerland 0041 313291111					
UK Equity		£17.24		-0.43	-
UK Smaller Co's Eqty		£27.59		-0.27	-
Nth American Equity		$17.24		-0.30	-
US Smaller Co's Eqty		£28.53		-0.38	-
Pacific Basin Equity		$11.48		-0.39	-
Japanese Equity		Y482		-25	-
European Equity		DM7.39		-0.49	-
Swiss Equity		SFr5.52		-0.42	-
Sterling Fixed Int		£16.06		-0.03	-
Sterling Fixed Int Dtr		£10.71		-0.02	-
European Fixed Int		DM13.78		-	-
European Fixed Int Dtr		DM5.44		-	-
DM Bond Cap		DM11.16		-	-
DM Short Term Cap		DM10.14		+0.01	-
Global Equity		$15.18		-0.30	-
[illegible]					

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Frontrunner I (u)					
672 rue de Neudorf, Luxembourg 00 352 43887350					
European Value Fd		Ecu167.39		-	-
Global Bond Fd		Dkr177.88		-	-
Global Bond Fd		DM196.38		-	-
Sterling Bond Fd		£199.21		-	-
Danish Bond Fd		DKr183.81		-	-
Swedish Bond Fd	3	SKr131.50		-	-
German Bond Fd		DM109.34		-	-
Dollar Bond Fd	3	$103.12		-	-
Scandinavian Value Fd		Ecu277.58		-	-
Far East Value Fd		$65.71		-	-
North American Value Fd	5	$115.49		-	-
Danish Kroner Reserve		DKr111.63		-	-
Swedish Kroner Reserve		SKr117.69		-	-
German Mark Reserve		DM108.73		-	-
US Dollar Reserve	3	$102.45		-	-
ECU Reserve		Ecu111.94		-	-
Norwegian Kroner Reserve		NKr100.70		-	-
Bonds 3/1998	3	DM117.07		-	-
Bonds 2/1998	3	DM149.65		-	-
Bonds 2/1999		DM102.39		-	-
Danish Mortgage Bond Fd		DKr102.91		-	-
Danish Long Bond Fd	3	DKr105.22		-	-
[illegible]					

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Morgan Stanley Sicav - Contd.					
Nth American Bd I		$13.83		-	-
US High Yield Bd A	C	$18.69		-	-
US High Yield Bd B	C	$18.82		-	-
US High Yield Bd I		$18.75		-	-
Real Yield A	C	$14.48		-	-
Real Yield I		$14.53		-	-
International Small Cap A	C	Ecu12.80		-	-
International Small Cap B	C			(c)	-
International Sm Cap I		Ecu12.75		-	-
US Small Cap Equity A	C	$19.91		-	-
US Small Cap Equity I		$20.01		-	-
US Value Equity A	C	$17.57		-	-
US Value Equity B	C	$17.53		-	-
US Value Equity I		$17.85		-	-
Latin America A		$13.39		-	-
Latin American I		$13.45		-	-
Short Maturity Euro Bd A	C	Ecu12.96		-	-
Short Maturity Euro Bd I		Ecu13.00		-	-
Emerging Mkts Debt A	C	$22.04		-	-
Emerging Mkts Debt B	C	$21.97		-	-
Emerging Mkts Debt I		$22.13		-	-
Gold A	C	$8.67		-	-
Gold B		$18.67		-	-
[illegible]					

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
ACM Offshore Funds - Contd.					
Closed-End					
Spanish Smaller Cos Nov 5		$16.32		-	-
Spanish Smaller Cos Nov 5		Pta2375		-	-
Afr Growth Company		$10.00		-	-
ACM Global Investments					
Growth Portfolios					
[illegible]		$23.85	25.44	-0.33	-
[illegible]		$22.83		-0.31	-
[illegible]		$23.87	25.57	-0.33	-
[illegible]		$22.72		-0.31	-
[illegible]		$22.72		-0.31	-
[illegible]		$24.02	24.74		-
Dev Regional Mkts A Nov 7		$13.66	14.80	-0.48	-
Dev Regional Mkts B Nov 7		$13.02		-0.47	-
Dev Regional Mkts C2 Nov 7		$13.02		-0.47	-
Dev Regional Mkts I		$13.71	14.13	-0.49	-
[illegible]		$25.90	27.89	-0.50	-
Global Gwth Trends B Nov 7		$24.4		-0.47	-
[illegible]		$26.21		-0.51	-
[illegible]		$24.89		-0.48	-
[illegible]		$26.08	26.89	-0.51	-
[illegible]		$13.58	14.5	-0.31	-
[illegible]			13.16	-0.30	-
[illegible]					

	Selling Price	Buying Price	+ or -	Yield Gross
Credit Suisse Asset Mgmt Funds - Contd.				
CS Bond Fd (Lux) Lire B	L353782		-	-
CS Bond Fd (Lux) Ptas A	Pta23420		-	-
CS Bond Fd (Lux) Ptas B	Pta27826		-	-
CS Bond Fd (Lux) Prima A	SFr67.20		-	-
CS Bond Fd (Lux) Short DM A	DM105.09		-	-
CS Bond Fd (Lux) Short DM B	DM155.69		-	-
CS Bond Fd (Lux) Short SFR A	SFr101.87		-	-
CS Bond Fd (Lux) Short US$ A	$104.46		-	-
CS Bond Fd (Lux) Short US$ B	$191.84		-	-
CS Bond Fd (Lux) SFR A	SFr288.94		-	-
CS Bond Fd (Lux) SFR B	SFr380.42		-	-
CS Bond Fd (Lux) US$ A	$1060.65		-	-
CS Bond Fd (Lux) US$ B	$1852.07		-	-
CS Bond Fd (Lux) Yen A	Y114748		-	-
CS Bond Fd (Lux) Yen B	Y133832		-	-
CS Bond Fd (Lux) £ A	£917.93		-	-
CS Bond Fd (Lux) £ B	£1027.11		-	-
CS Capital Tgt (Lux) DM 2000	DM1821.80		-	-
CS Capital Tgt (Lux) ECU 2000	Ecu1845.15		-	-
CS Capital Tgt (Lux) FF 2000	FFr1782.83		-	-
CS Capital Tgt (Lux) SFr 2000	SFr1858.26		-	-
Daiwa Japan Small Equity Fd (w)				
[illegible]				

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

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BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

صكتا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		223½	—	*227⅞	£20¼	1,889	2.9	φ
Barlow	♣†	85⅝	+⅞	93	65¼	1,208	2.3	13.4
Gold Flds Prop R		122¼	+¼	187	112	12.8	6.5	10.3
SA Brews		915½	+11	2223	£734	4,429	2.3	φ
Standard Bank		2285	+½	230	121	3,138	2.0	–
Tiger Oats	†	890	[illegible]	1100	790	1,345	1.9	18.5
Tongaat-Hulett		729½	+3¼	789	695¼	709.8	2.4	φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4 2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98
R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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Sell-off in UK stocks fails to materialise

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Fears that London shares, undermined last week by the surprise increase in UK interest rates, would fall further ahead of tomorrow's crucial meeting to determine US interest rate policy proved groundless yesterday.

Some soothing words from Hans Tietmeyer, the Bundesbank president, a relatively stable performance by most far eastern markets and Wall Street's initial rally yesterday, all helped to bolster London's sagging confidence.

There was also a sudden burst of takeover stories, both rumoured and actual, which injected much-needed interest into a market which has suffered badly recently from the lack of positive news.

And the domestic economic news on producer prices was viewed as market-friendly, keeping gilts on a steady route.

Sentiment in UK equities was given a further boost by the latest Merrill Lynch survey of fund managers which revealed that UK fund managers have become increasingly optimistic about UK stocks after the recent falls and see the market as cheap.

By the close, the FTSE 100 index had recouped more than a third of Friday's near 100-point slide, closing 42.5 up at 4,806.8.

Most of the big gains were confined to the leaders, however, with the second-liners and smaller capitalised issues only able to post marginal improvements. The FTSE 250 settled 2.3 firmer at 4,640.8 while the FTSE SmallCap edged ahead 2.7 to 2,310.6.

The market had a much more confident feel to it at the outset thanks to the performance of the Dow Jones Industrial Average on Friday, when it saw a fall of almost 200 points halved by the close. There was also a relatively insignificant 1 per cent fall on the Hong Kong market yesterday.

That news, coupled with the benign producer prices data, which showed input prices down 0.2 per cent against a consensus forecast of a 0.3 per cent rise and output prices up 0.1 per cent against expectations of 0.2 per cent, was well received by the stock market.

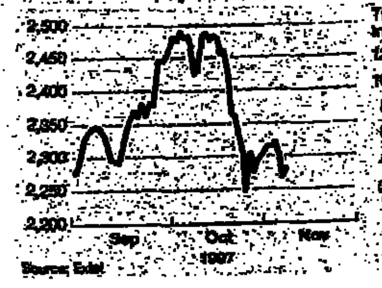
Footsie was quick to respond, hitting a session-high of 4,828.3, up 64.0 over the lunchtime period. Wall Street came in on a firm note, but began to drift off, taking London with it, before a late spurt saw Footsie surge ahead again.

The biggest takeover story concerned the battle for MCI, the US telecoms group, where BT has a 20 per cent stake. The UK group signalled its intention to accept the increased offer from WorldCom, which will see BT emerge with a massive profit on its original investment and a deal with the merged World Com/MCI.

Other takeover stories included reports of a Barclays Bank bid approach to Legal & General, one of the market's long-time targets, talk of bids in the offing for Vosper and Hambros and news that Intrum Justitia, the credit information group, is in talks with a potential bidder.

The only real disappointment was the continuing low level of turnover. Turnover in equities at 6pm was just 610m shares.

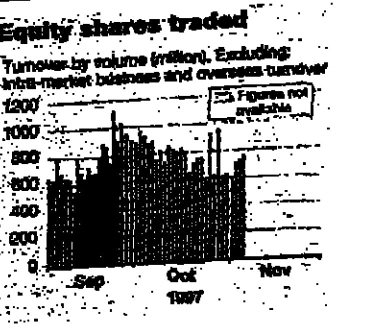
FTSE All-Share Index



Source: Datastream

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4806.8	+42.5
FTSE 250	4640.8	+2.3
FTSE 350	2327.5	+16.7
FTSE All-Share	2280.91	+15.45
FTSE All-Share yield	3.40	3.42
FT 30	3135.1	+23.9
FTSE Non-Fins p/e	19.41	19.29
FTSE 100 Fut Dec	4808.0	+39.0
10 yr Gilt yield	6.65	6.65
Long gilt/equity yld ratio	1.94	1.93

Best performing sectors

1. Telecommunications +2.3
2. Food Producers +1.4
3. Banks: Retail +1.4
4. Extractive Inds +1.4
5. Utilities +1.3

Worst performing sectors

1. Health Care -1.1
2. Distributors -1.0
3. Insurance -0.8
4. Gas Distribution -0.6
5. Transport -0.5

BT rises on MCI deal

By Joel Kibazo, Peter John, Martin Brice and Anthony Reuben

Turnover in British Telecommunications rose to a hefty 40m as UK investors piled into the stock following confirmation that it will accept an increased $51 a share cash offer from WorldCom for its stake in MCI Communications.

BT owns about 137m MCI shares, equivalent to a 20 per cent stake in the US company with which it had planned to merge. The UK group's plans were dashed when two higher offers for MCI, one from WorldCom and another from GTE, emerged.

Yesterday, attention turned to how BT will use the proceeds of the sale. Speculation that the group may return funds to shareholders either in the form of a share buy-back or special dividend did the rounds, encouraging some of the strong buying.

However, some analysts dismissed talk of returning funds to shareholders and instead attributed yesterday's buying spree to "relief that BT is not going ahead with the MCI deal and what is more there is a handsome settlement for time spent trying to put such a deal together", according to one specialist. James McCafferty at ABN Amro Hoare Govett said: "This experience gives BT a chance to re-evaluate other potential opportunities in the US." By the close of the session, the shares had improved 11 to 465p.

Legal & General was flung around on speculation that Barclays was poised to make an offer for the insurer.

The shares shot up to 500p, a level well above the potential take-out price factored in by analysts and even further above the 300p net asset value.

Barclays jumps

Barclays, which has been dogged by nervousness over its plans to dispose of parts of its BZW investment banking arm, also shot higher as the story in the weekend press suggested it had offered more than £6bn for the insurer.

However, Legal reminded its investors that it valued its independence and some analysts were voicing scepticism.

David Hudson at Credit Lyonnais Laing said: "Legal & General may be attractive as a takeover possibility but at 500p there is little upside and a lot of downside."

Legal's share price came off to close unchanged at 483p while Barclays ended a net 30 higher at £15.12.

Speculation that Mayflower Corporation is ready to launch a bid for engineering group Vickers swept through the market yesterday. There were hints in some quarters that the offer may come as soon as today or tomorrow. Mayflower is believed to have received backing for such a move on Friday after seeing several of its biggest institutional investors.

Talk in the market also suggested that the would be predator has already found a buyer for Vicker's tanks division.

Dealers said Mayflower is waiting for "some stability " in the markets before launching its bid. They suggested the deal is to be financed through a two-for-one rights issue priced between 125p and 135p.

Yesterday Vickers, which confirmed it had won a second order to sell Challenger tanks to Oman worth £100m, demanded that Mayflower clarify its position regarding BMW's involvement.

Vickers said: "A muddle has been created on this matter and Mayflower urgently needs to clarify its position."

However one market specialist said: "Mayflower does not need BMW to launch this bid." Shares in Vickers closed 8 ahead at 257p while those of Mayflower eased 2¼ to 173¼p.

BAA shares produced the worst performance in the Footsie as they fell 16¼ to 517½p after results that came in at the bottom of expectations.

The £310m interim pre-tax profit was below the £315m-£325m range analysts had been predicting, and there was talk of downgrades of about £5m to the full-year figure, bringing it to about £480m. Mike Stoddart at Charterhouse Tilney had forecast £317m for the interim and £471m for the full year but may cut that.

Recently volatile mining group shares moved higher as Dresdner Kleinwort Benson Securities issued a positive note on Rio Tinto and Billiton.

Dresdner reiterated its buy stance and listed Rio Tinto's "fair value" at 989p, some 32 per cent above Friday's closing level. The shares lifted 14¼ to 765p.

The broker said Billiton is worth 212p. The shares gained 4 in early trading but eased with the market to end a penny up at 173p.

Analysts believe both mining companies can defy the pricing pressure on base metals which will inevitably result from the recent downturn in Asian economies. Rio mines copper in the region and Billiton aluminium.

Zeneca down

Zeneca closed down 10 at £18.04 amid rumours it was trying to dampen enthusiasm ahead of a research and development presentation on December 1. That overshadowed the announcement of a deal between the company and Italy's Recordati to market its lercanidipine calcium blocker in Italy early next year. The product has been approved for the treatment of hypertension in 10 European countries.

BSkyB climbed 12 to 423p after SocGen advised clients to "buy". Also, the satellite broadcaster said Sam Chisholm, the chief executive, would step down earlier than expected and hand over to Mark Booth at the company's annual meeting this week.

ISA International, the UK computer consumables producer, fell more than 30 per cent following a profits warning. House broker Panmure Gordon reduced its forecast from £8.2m to £6.4m for the year, compared to last year's figure of £7.9m. The shares fell 43¼ to 96¼p.

Havelock Europa, the shop-fitting company, rose 1¼ to 153¼p as every member of the board bought shares after a fall prompted by a profit warning.

The market's best performance came from Danka Business Systems after the office equipment group announced a strategic alliance to distribute Hewlett-Packard laserjet printers, scanners and other peripherals in the US. The shares gained 40 to 575p.

Another computer services company, Radius, fell 8¼ to 33¼p, following a profit warning. It said deferral of a number of significant orders in recent weeks would depress the performance of the retail division and profits for 1997 would be lower than last year's.

FT 30 INDEX

	Nov 10	Nov 7	Nov 6	Nov 5	Nov 4	Yr ago	*High	*Low
FT 30	3135.1	3108.3	3162.5	3189.6	3179.9	2784.6	3430.3	2668.8
Ord. div. yield	3.62	3.64	3.57	3.53	3.54	4.13	4.22	3.29
P/E ratio net	20.33	20.20	20.58	20.82	20.76	16.70	22.38	15.80
P/E ratio nil	20.06	19.92	20.30	20.53	20.47	16.54	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3112.3	3129.9	3132.3	3143.9	3137.5	3142.2	3136.1	3138.1	3124.1	3149.7	3111.0

	Nov 10	Nov 7	Nov 6	Nov 5	Nov 4	Yr ago
SEAQ bargains	46,050	53,785	42,575	46,780	43,899	35,618
Equity turnover (£m)†	-	2616.6	2598	2585.7	2346.0	824.6
Equity bargains†	-	41,175	36,367	35,828	37,900	23,862
Shares traded (ml)†	-	792	757.7	726.3	705.7	305.4

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	812	Total Highs	39	Total contracts	20,015
Total Falls	614	Total Lows	88	Calls	12,255
Same	1,627			Puts	7,760

Nov 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4785.0	4808.0	+39.0	4860.0	4785.0	9186	66845
Mar	4867.0	4850.5	+39.0	4882.5	4857.5	620	7320

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4650.0	+2.0			0	8244

■ FTSE 100 INDEX OPTION (LIFFE) (*4780) £10 per full index point

	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P
Nov	239½	45½	282½	59	165½	73	134½	92	106	117½	80	140	58½	170	38	205½
Dec	359½	139	312	152½	282	172	252½	191½	223	214½	193	236	167½	262	147	293
Jan	398	177½	362½	195	333½	215	304½	235½	274½	255½	244½	277½	215	300½	193½	330
Feb	442½	208	414	228½	386½	248	358½	268½	330½	287½	302½	310½	274½	334	252½	363½
Jun†	548	269			491	310			433½	352			376	398		

Calls 3,512 Puts 1,636

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P
Nov	212½	52½	176	66	142½	83	112	102	86½	125½	63½	153½	44½	184½	30	219½
Dec	320	138½	281	159	250½	177½	230	197½	204	221	179½	243	152½	268½	130½	296½
Jan	385½	188	352½	204½	320	221	289½	237½	257	257	228½	227½	202½	301	178	324
Mar	487½	247			403	280½			343	317½			287	359		
Jun†	551½	285½			486	315½			422½	348			386½	387½		

Calls 2,926 Puts 3,864 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	102¼	100½	Asset Mn Zero Dv	101	-¼	-	-	-	-
	F.P.	1,309	30½	29½	BG 'B'	29½		-	-	-	-
	F.P.	0.74	17½	16½	†Buckland Inv	17½		-	-	-	-
	F.P.	0.08	12	8	†Buckland Inv Wrt	10		-	-	-	-
§150	F.P.	8.47	153½	153½	†Cresco Intl	153½		-	-	-	-
§128	F.P.	111.5	171½	165	Holmes Place	165	-3½	L3.0	2.0	2.3	20.9
155	F.P.	16.5	176½	162½	Latchways	165	-½	-	-	-	-
§110	F.P.	8.75	94½	87½	Leicester City	87½	-3	-	-	-	-
§86.5	F.P.	27.1	102½	95½	†Marlborough Intl	102½		b-	-	-	17.4
*	F.P.	87.5	99½	70½	†Metalsrussia	87½	-1	-	-	-	-
§115	F.P.	16.3	170½	140	†NSB Retail Sys	167½		L1.15	1.8	0.9	65.0
250	F.P.	483.0	252½	225	Newsquest	241½xd		W5.4	3.0	2.8	14.9
70	F.P.	27.0	63½	58	Nott'ham Forest	59½	-½	-	-	-	-
	F.P.	528.9	2180	2095	Nycomed Am N/V	2100	-30	16.0	2.8	1.0	47.3
§245	F.P.	150.1	287½	245	SHL Group	281½		LW4.5	-	2.0	-
§147	F.P.	164.7	177½	157½	Ultraframe	177½	+1	R3.5	2.1	2.5	23.8
§79	F.P.	5.89	97½	85½	†Weather Action	87½		-	-	-	-
§110	F.P.	55.3	117½	108½	Xaar	108½	-1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 7	% chg on day	Nov 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1161.16	-3.7	1205.93	1980.45	2.58	-	1985.11	1161.16
■ Regional Indices								
Africa (15)	1198.53	-1.8	1220.07	2413.99	6.17	21.05	2502.51	1192.32
Australasia (6)	1185.98	-3.2	1224.65	2024.30	3.23	14.63	2217.80	1135.38
North America (12)	1159.45	-4.4	1213.20	1884.33	1.16	43.11	1839.77	1159.45

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 10	Day's chge%	Nov 7	Nov 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4806.8	+0.9	4764.3	4863.8	3914.4	3.37	2.76	2.06	18.00	133.24	2070.12
FTSE 250	4640.8	—	4638.5	4660.4	4395.8	3.61	2.95	1.77	19.57	130.82	1957.17
FTSE 250 ex IT	4679.4	—	4678.6	4713.4	4435.9	3.72	3.05	1.81	18.58	135.53	1979.92
FTSE 350	2327.5	+0.7	2310.8	2363.5	1954.9	3.42	2.80	2.00	18.28	64.75	2047.64
FTSE 350 ex IT	2330.5	+0.7	2313.6	2356.1	-	3.43	2.82	2.01	18.09	32.77	1051.58
FTSE 350 Higher Yield	2316.9	+0.6	2302.2	2339.0	1862.9	4.39	3.64	1.62	15.65	78.11	1732.72
FTSE 350 Lower Yield	2350.2	+0.8	2331.7	2379.9	2063.9	2.57	2.08	2.27	21.40	50.66	1687.56
FTSE SmallCap	2310.61	+0.1	2307.93	2322.91	2159.68	3.19	2.57	1.61	24.25	58.47	1980.33
FTSE SmallCap ex IT	2323.53	+0.1	2321.07	2328.54	2162.12	3.40	2.74	1.68	21.85	63.17	2010.26
FTSE All-Share	2280.91	+0.7	2265.46	2305.56	1980.89	3.40	2.79	1.98	18.60	63.05	2036.58
FTSE All-Share ex IT	2285.30	+0.7	2269.52	2309.23	-	3.43	2.81	1.99	18.27	32.27	1049.67

■ FTSE Actuaries Industry Sectors

	Nov 10	Day's chge%	Nov 7	Nov 6	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4497.20	+0.6	4469.72	4570.25	3755.02	3.48	2.78	1.81	19.88	140.67	2035.90
12 Extractive Industries(5)	3170.59	+1.4	3127.68	3275.46	4022.62	4.42	3.15	1.89	14.93	139.64	977.25
15 Oil, Integrated(3)	4686.66	+0.4	4665.00	4963.25	3690.66	3.56	2.88	1.77	19.81	154.87	2276.77
18 Oil Exploration & Prod(12)	3777.01	+1.2	3733.56	3776.35	2774.94	1.52	1.25	2.32	35.59	52.81	2323.10
20 GEN INDUSTRIALS(267)	2021.74	+0.2	2017.42	2051.77	2001.15	3.89	3.27	1.94	16.53	63.04	1167.27
21 Building & Construction(35)	1371.47	+0.2	1368.52	1376.87	1192.75	3.33	2.68	2.30	16.32	40.42	1208.23
22 Building Matls & Merchs(30)	1795.84	—	1796.72	1806.56	1852.04	4.42	3.61	1.88	15.07	59.69	958.41
23 Chemicals(26)	2454.49	-0.2	2458.36	2481.60	2380.29	4.14	3.45	1.64	18.46	79.68	1231.27
24 Diversified Industrials(13)	1329.98	+0.2	1326.71	1371.78	1408.08	5.12	4.82	2.63	9.29	65.67	804.19
25 Electronic & Elect Equip(34)	2201.86	—	2200.64	2229.00	2288.05	4.00	3.24	1.55	20.12	55.73	1200.89
26 Engineering(65)	2784.99	+0.4	2773.78	2833.19	2592.72	3.04	2.53	2.45	16.78	67.78	1767.71
27 Engineering, Vehicles(13)	3440.32	+1.2	3398.50	3508.89	3175.68	2.88	2.40	‡	‡	78.06	1665.39
28 Paper, Pckg & Printing(27)	2196.14	-0.2	2200.31	2228.69	2555.74	4.72	3.88	1.98	13.34	81.16	970.14
29 Textiles & Apparel(14)	1084.29	+0.2	1082.52	1085.33	1150.51	6.32	5.24	1.17	16.85	48.66	705.04
30 CONSUMER GOODS(89)	4492.17	+0.7	4461.05	4531.14	3678.21	3.30	2.86	1.87	20.29	130.12	1750.60
32 Alcoholic Beverages(7)	3150.16	+0.9	3123.29	3152.16	2710.51	3.95	3.39	2.02	15.66	101.52	1206.66
33 Food Producers(25)	3123.85	+1.4	3079.97	3051.74	2583.89	3.48	2.85	1.98	18.18	83.41	1487.86
34 Household Goods(17)	2880.97	—	2879.79	2896.92	2728.76	3.46	3.02	2.48	14.53	89.62	1187.87
36 Health Care(14)	2203.47	-1.1	2228.35	2246.49	1915.18	2.34	1.94	1.80	29.66	52.46	1393.94
37 Pharmaceuticals(19)	7158.08	+0.6	7117.39	7327.01	5691.13	2.47	2.18	1.80	28.09	171.99	2535.47
38 Tobacco(3)	4462.34	+0.6	4435.69	4478.04	3543.31	6.31	5.58	1.66	11.92	240.05	1213.70
40 SERVICES(274)	2771.06	+0.5	2756.33	2797.67	2544.72	2.96	2.39	2.02	20.93	65.23	1505.86
41 Distributors(29)	2622.04	-1.0	2648.33	2680.59	2890.56	3.60	2.94	2.00	17.32	75.82	1018.35
42 Leisure & Hotels(30)	3214.81	+1.1	3178.34	3216.33	3160.59	2.91	2.32	1.99	21.60	86.15	1794.17
43 Media(43)	4073.81	+0.7	4045.38	4100.55	4238.57	2.61	2.07	1.98	25.85	90.89	1524.81
44 Retailers, Food(15)	2626.22	—	2626.34	2655.54	1982.01	3.21	2.57	2.28	17.12	66.43	1762.85
45 Retailers, General(55)	2263.62	+0.8	2245.36	2290.84	2062.46	3.21	2.57	2.16	18.02	60.87	1360.51
47 Breweries, Pubs & Rest.(22)	3216.78	+0.9	3188.74	3233.11	3091.64	3.54	2.83	2.32	15.23	63.89	1610.46
48 Support Services(58)	3324.46	+1.1	3288.69	3331.62	2583.89	1.85	1.51	2.43	27.92	41.46	2175.60
49 Transport(23)	2917.94	-0.5	2933.73	2993.66	2586.55	3.49	2.81	1.23	29.10	75.06	1260.53
60 UTILITIES(32)	3168.20	+1.3	3126.63	3164.90	2359.48	4.19	3.35	1.57	18.95	81.97	1477.03
62 Electricity(9)	3425.30	+0.9	3397.09	3458.77	2515.52	5.21	4.17	2.04	11.74	116.63	1949.77
64 Gas Distribution(2)	2326.06	-0.6	2339.03	2345.54	1307.75	2.80	2.24	‡	‡	81.42	1332.27
66 Telecommunications(9)	2497.56	+2.3	2440.39	2467.79	1999.87	3.53	2.82	1.52	23.34	44.69	1201.72
68 Water(12)	2974.85	—	2974.82	3012.87	2211.86	5.64	4.51	2.23	9.94	90.96	1781.36
69 NON-FINANCIALS(686)	2313.70	+0.6	2299.25	2336.41	2020.10	3.46	2.85	1.86	19.41	63.54	1855.36
70 FINANCIALS(105)	4413.71	+0.9	4374.27	4468.87	3248.65	3.36	2.71	2.40	15.47	129.85	2010.20
71 Banks, Retail(11)	6515.74	+1.4	6424.56	6584.19	4685.43	3.22	2.57	2.54	15.33	196.05	2247.82
73 Insurance(17)	1984.12	-0.8	2000.14	2033.43	1531.80	4.44	3.66	2.75	10.24	83.95	1610.41
74 Life Assurance(6)	5226.05	+0.2	5214.43	5297.03	3716.81	3.50	2.87	2.26	15.78	162.17	2300.87
77 Other Financial(27)	3300.02	+0.6	3280.57	3345.75	2895.55	3.30	2.88	2.03	18.65	82.15	1878.81
79 Property(42)	2146.62	+0.2	2142.71	2170.42	1655.24	3.08	2.47	1.34	30.29	42.78	1386.40
80 INVESTMENT TRUSTS(126)	3272.93	+0.2	3265.10	3344.77	3129.51	2.33	1.87	1.16	46.36	57.39	1178.19
89 FTSE All-Share(898)	2280.91	+0.7	2265.46	2305.56	1980.89	3.40	2.79	1.98	18.60	63.05	2036.58
105 FTSE All-Share ex IT(773)	2285.30	+0.7	2269.52	2309.23	-	3.43	2.81	1.99	18.27	32.27	1049.67
FTSE Fledgling	1264.31	-0.1	1264.97	1273.97	1215.67	3.23	2.59	1.29	30.23	34.24	1381.42
FTSE Fledgling ex IT	1285.03	-0.1	1286.04	1292.10	1228.59	3.53	2.83	1.32	26.90	35.91	1407.78
FTSE AIM	992.8	—	993.2	995.6	-	1.12	0.88	0.36	80.00†	8.89	912.82

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	4782.1	4799.7	4804.5	4801.3	4810.6	4802.2	4803.5	4780.2	4828.3	4764.9
FTSE 250	-	4636.5	4637.9	4639.9	4638.1	4637.4	4639.7	4640.0	4640.9	4642.5	4636.8
FTSE 350	-	2317.7	2320.5	2326.5	2325.1	2328.6	2325.6	2326.1	2317.2	2335.7	2310.8
FTSE SmallCap	2307.55	2308.35	2308.57	2308.81	2308.96	2309.08	2309.60	2310.17	2310.53	2310.71	2307.55
FTSE All-Share	-	2271.81	2274.45	2279.92	2278.62	2281.87	2279.11	2279.65	2271.49	2288.33	2265.49

Time of FTSE 100 Day's high: 1:20 PM Day's low: 8:34 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 1:23 PM Day's low: 8:34 AM. FTSE All-Share 1997 High: 2482.41 (03/10/97) Low: 0.00 (03/11/97)

Further information is available on http://www.ftse.com

‡ Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: Specialty Shops (FTSE Fledgling), Peek (26) & (FTSE SmallCap) (7/11/97).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	501	486	-2
AMVESCAP	858	387¼	-4¼
ASDA Group†	7,300	158	+1½
Abbey National†	1,300	976	+36½
Airtours	45	1167½	-2½
Alliance & Leicester†	1,200	684	+5
Allied Domecq†	2,500	481	-2
Anglian Water	298	773	+3
Argos	165	652½	+1½
Arjo Wiggins	93	173½	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities yesterday until 4.30pm. † indicates a FTSE 100 index constituent. All figures are provisional.

مكتبة من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 7 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY NOVEMBER 6 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	203.37	-3.5	177.92	159.23	180.32	195.26	-2.7	3.93	210.78	184.75	163.96	188.58	200.66	243.87	190.41	209.89
Austria (24)	195.77	-1.7	171.27	153.27	173.58	173.53	-2.6	1.89	199.18	174.58	154.93	178.20	178.15	213.59	175.14	181.82
Belgium (27)	243.33	-1.4	212.88	190.51	215.75	211.19	-2.3	3.26	246.82	216.34	192.00	220.82	216.20	261.11	221.31	222.87
Brazil (30)	208.32	-7.0	182.26	163.10	184.71	424.99	-7.0	1.74	224.10	196.43	174.33	200.50	456.85	322.44	178.94	183.18
Canada (123)	215.41	-2.2	188.46	168.66	191.00	220.22	-1.4	1.78	220.24	193.04	171.32	197.04	223.46	233.66	178.27	188.62
Denmark (32)	410.72	-0.7	359.33	321.57	364.17	362.63	-1.6	1.41	413.46	362.40	321.62	369.91	368.31	429.78	333.94	334.81
Finland (28)	312.48	-2.1	273.36	244.63	277.04	336.93	-2.9	1.85	319.06	279.67	248.20	285.47	346.68	349.43	219.34	219.34
France (84)	225.37	-1.8	197.17	176.45	199.83	201.91	-2.7	2.64	229.55	201.20	178.56	205.37	207.52	246.23	203.73	208.75
Germany (58)	213.82	-2.2	187.07	167.41	189.58	189.59	-3.1	1.52	218.60	191.61	170.05	195.58	195.58	243.87	183.03	189.69
Hong Kong, China (66)	348.87	-3.2	305.22	273.14	309.33	346.27	-3.5	4.58	360.58	316.05	280.49	322.60	357.98	580.03	314.78	474.28
Indonesia (27)	127.17	-4.4	111.25	99.58	112.75	257.83	-3.7	2.61	133.04	116.61	103.49	119.03	267.70	254.90	101.96	214.57
Ireland (17)	377.16	-0.9	329.97	295.29	334.41	349.79	-1.5	2.77	380.65	333.64	296.10	340.55	355.22	394.88	310.26	317.61
Italy (53)	107.76	-1.4	94.27	84.37	95.54	134.67	-2.1	1.76	109.31	95.81	85.03	97.80	137.64	115.27	78.84	79.68
Japan (484)	102.79	-4.1	89.93	80.48	91.14	80.48	-3.5	0.99	107.16	93.92	83.35	95.87	83.35	143.36	102.79	141.32
Malaysia (107)	250.20	-2.5	218.89	195.89	221.84	316.52	-2.6	2.28	256.68	224.98	199.67	229.64	324.94	680.85	222.86	591.00
Mexico (27)	1527.72	-2.7	1336.58	1196.10	1354.57	13955.59	-2.3	1.74	1569.64	1375.79	1220.99	1404.32	14287.09	1901.98	1147.96	1182.44
Netherlands (19)	399.78	-1.5	349.76	313.00	354.47	350.93	-2.4	2.37	405.97	355.83	315.79	363.21	359.39	440.67	310.08	310.08
New Zealand (14)	88.77	-0.9	77.66	69.50	78.71	75.66	-0.7	4.05	89.56	78.50	69.67	80.13	76.20	96.47	75.37	91.99
Norway (38)	353.56	0.0	309.32	276.82	313.49	332.84	-1.2	1.83	353.54	309.88	275.01	316.30	336.79	374.64	269.43	269.43
Philippines (22)	88.37	-0.7	77.32	69.19	78.36	153.31	-1.2	1.38	88.98	77.99	69.21	79.60	155.19	214.07	78.40	194.02
Singapore (42)	249.30	-1.8	218.10	195.18	221.04	180.39	-2.0	1.75	253.96	222.60	197.55	227.21	184.07	448.01	215.21	390.04
South Africa (43)	282.74	-4.1	247.36	221.37	250.70	298.89	-3.8	2.85	294.75	258.35	229.28	263.70	310.81	370.12	259.47	324.03
Spain (33)	249.91	-1.7	218.63	195.66	221.58	272.86	-2.5	2.48	254.22	222.82	197.75	227.44	279.93	277.33	192.56	192.56
Sweden (49)	477.54	-1.6	417.79	373.88	423.42	526.53	-2.3	1.97	485.54	425.57	377.69	434.39	538.75	538.94	393.04	394.13
Switzerland (33)	312.59	-1.1	273.48	244.74	277.16	269.86	-2.1	1.23	316.12	277.09	245.90	282.82	275.65	329.59	231.69	245.32
Thailand (39)	35.82	3.2	31.34	28.04	31.76	52.90	1.1	5.31	34.71	30.42	27.00	31.05	52.33	129.84	28.08	122.44
United Kingdom (215)	318.56	-1.7	278.70	249.41	282.46	278.70	-1.9	3.52	324.18	284.15	252.18	290.04	284.15	337.99	259.04	259.04
USA (645)	377.96	-1.2	330.67	295.92	335.12	377.96	-1.2	1.63	382.43	335.20	297.48	342.15	382.43	399.82	293.43	296.14
Americas (825)	343.68	-1.3	300.68	269.06	304.73	289.56	-1.2	1.64	348.17	305.17	270.83	311.49	293.65	365.75	268.24	271.06
Europe (710)	275.21	-1.7	240.78	215.47	244.02	249.47	-2.3	2.55	279.87	245.30	217.70	250.39	255.26	296.25	226.08	226.08
Nordic (147)	422.21	-1.4	369.38	330.56	374.36	406.24	-2.1	1.85	428.16	375.28	333.06	383.06	415.12	484.93	338.95	338.95
Pacific Basin (876)	114.07	-3.8	99.80	89.31	101.14	90.23	-3.3	1.63	118.62	103.97	92.27	106.12	93.31	160.96	114.07	157.46
Euro-Pacific (1586)	181.30	-2.5	158.62	141.95	160.76	149.93	-2.6	2.21	185.90	162.94	144.61	166.32	154.01	209.12	173.55	185.93
North America (768)	367.82	-1.2	321.80	287.98	326.14	367.46	-1.2	1.84	372.36	326.37	289.65	333.14	371.86	389.57	286.81	289.74
Europe Ex. UK (495)	245.98	-1.6	215.20	192.58	218.10	227.70	-2.5	1.99	250.03	219.15	194.49	223.70	233.48	267.07	202.63	203.30
Pacific Ex. Japan (392)	214.68	-3.0	188.00	168.24	190.53	204.39	-2.8	3.79	221.58	194.22	172.36	198.24	210.21	320.65	194.30	299.81
World Ex. US (1809)	185.07	-2.5	161.92	144.90	164.10	158.71	-2.6	2.19	189.88	166.43	147.70	169.88	160.98	212.89	176.94	188.02
World Ex. UK (2239)	240.33	-1.8	210.25	188.16	213.09	214.75	-1.9	1.72	244.89	214.64	190.49	219.09	218.93	262.69	211.16	219.39
World Ex. Japan (1970)	319.50	-1.5	279.52	250.14	283.29	308.62	-1.7	2.04	324.40	284.34	252.34	290.23	313.89	344.35	264.51	264.82
The World Index (2454)	246.98	-1.9	216.07	193.37	218.99	220.60	-1.9	1.91	251.63	220.56	195.74	225.13	224.90	268.47	216.61	221.90

 CONSTITUENT CHANGE 10/11/97: Name change: Ohio Edison to Firstenergy Corp. (USA). Latest prices were unavailable for this edition.

Emerging markets: IFC investable indices

Dollar terms

Nov 7 Market		Day's chg %	% Chg since 31/12/96
Latin America			
Argentina	896.10	-4.7	+4.8
Brazil	432.89	-6.5	+9.2
Chile	683.82	-2.3	-10.3
Colombia*	848.19	-2.8	+34.0
Mexico	675.19	-2.7	+27.5
Peru*	227.61	-1.9	-15.7
Venezuela*	987.02	-3.3	+35.6
East Asia			
China*	69.71	-1.7	-5.4
Korea*	51.83	-7.8	-32.9
Philippines	133.42	-0.9	-54.6
Taiwan, China*	147.95	-3.5	-3.5
South Asia			
India*	91.54	-0.6	+16.2
Indonesia*	89.87	-4.4	-46.0
Malaysia	142.19	-2.7	-57.8
Pakistan*	292.24		-34.0
Sri Lanka*	133.10	-0.1	+29.5
Thailand	83.42	+4.4	-62.3
Europe/Mideast/Africa			
Czech Rep	63.75	+0.5	-4.1
Egypt	100.46	-0.0	-
Greece	348.74	+0.7	+43.9
Hungary*	273.43	-3.9	+39.0
Israel	120.57	-0.3	-30.6
Jordan	211.84	+0.1	-13.5
Morocco	133.93	+0.5	-
Poland*	629.04	-3.1	-14.1
Portugal	186.87	-0.9	+34.7
Russia	165.56		-
S Africa*	190.85	-3.8	-8.5
Slovakia	101.72	-2.4	-
Turkey*	288.75	-6.0	+94.2
Zimbabwe*	514.30	-0.0	+6.6
Regions			
Composite	260.63	-3.3	-11.7
Latin America	624.24	-4.0	+16.0
Asia	146.42	-3.0	-42.1
EMEA	151.37	-2.7	+12.7

Base date Dec 1986=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 10

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

- B -

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- D -

- E -

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- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 7	Nov 6	Nov 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7581.32	7683.24	7692.57	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.18	104.33	104.26	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3184.23	3211.60	3207.51	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	241.99	242.89	244.70	248.58 (27/10)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7646.89 (7758.63) Low 7460.99 (7597.78) (Theoretical) Day's high 7678.67 (7708.04) Low 7487.78 (7640.26) (Actual)

Standard and Poors	Nov 7	Nov 6	Nov 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	927.51	938.03	942.76	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials¶	1090.53	1092.39	1098.35	1146.82 (7/10)	865.42 (11/4)	1146.82 (7/10/97)	3.52 (30/6/32)
Financial¶	111.20	112.82	113.17	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.12 (4/6/74)
Others							
NYSE Comp.	487.29	493.75	495.77	514.21 (7/10)	388.47 (11/4)	514.21 (7/10/97)	4.54 (25/4/42)
Amex Comp	678.27	687.71	690.35	721.90 (7/10)	541.30 (28/4)	721.90 (7/10/97)	524.20 (19/7/88)
NASDAQ Cmp	1602.40	1623.44	1637.33	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	435.22	442.83	444.76	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.38 (7/12/93)

RATIOS

	Nov 7	Oct 31	Oct 24	Year ago
Dow Jones Ind. Div. Yield	1.76	1.80	1.73	2.09
	Nov 5	Oct 29	Oct 22	Year ago
S & P Ind. Div. yield	1.50	1.55	1.47	1.89
S & P Ind. P/E ratio	25.28	24.60	25.98	23.58

US DATA

MARKET ACTIVITY

● Volume (million)	Nov 7	Nov 6	Nov 5
NYSE	569.980	544.240	561.910
Amex	28.264	22.319	25.016
NASDAQ	687.246	647.640	706.987

NYSE	Nov 7	Nov 6	Nov 5
Issues Traded	3,418	3,408	3,417
Rises	534	1,242	1,680
Falls	2,407	1,656	1,188
Unchanged	477	510	551
New Highs	33	97	138
New Lows	62	24	22

NYSE TRADING ACTIVITY Volume : 467,136,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Tel Brasil	7,794,000	97⅞	−8
Compaq	6,849,500	64⅝	−1⅛
W Digital	5,771,900	23⅝	−6⅝
Boeing	5,051,700	43⅛	−⅞
Gen Elect	4,625,100	68	−¾
Am Online	4,229,100	79¾	−4⅞
Ph Morris	4,029,300	41⅛	−⅛
Texas Instr	3,980,300	112⅞	−4⅞
IBM	3,937,500	98⅜	−1⅞
Merck	3,750,400	88¾	+⅝

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Quality Fd	58⅛	+6⅝	+13.3
Newhall Ld	32	+5¾	+21.9
Cast Park	60¾	+5¼	+9.5
Downs			
W Digital	23⅝	−6⅝	−21.1
Texas Instr	55	−4⅜	−7.4
Lone Star	50½	−3¼	−6.0
Whirlpool	55¼	−4	−6.7
Rockwell	44⅝	−3	−6.3

NASDAQ TRADING ACTIVITY Volume :699,666,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	38,798,900	77⅞	+3⅞
3Com	17,289,500	38¾	−2⅞
Quantum Cp	15,928,100	30⅛	−6¾
Appl Matl	14,547,100	35⅞	−1⅞
Dell Comp	11,863,400	78⅞	−2⅞
Cisco Sys	8,398,800	83⅞	−1⅞
Microsoft	7,950,100	131⅞	−½
Telept Com A	7,774,400	45¼	−¾
Brooks Fib	7,751,500	54¾	−1⅞
Apple Comp	7,102,700	19¼	+¼

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Bright Hzn	17	+4	+30.8
Fed Agr A	18	+3	+20.0
Stardust	28½	+4½	+18.7
Wooster Com	28⅛	+3¾	+13.5
Downs			
Quantum Crp	30⅛	−5⅜	−15.1
Coast Bncp	30	−3	−9.1
Octotech	43⅝	−3⅞	−7.5
Splash Tch	38	−3⅛	−7.5

Dow Jones

FTSE Eurotop 300

JAPAN

	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	15697.20	15836.36	16533.87	20681.07	15697.20	38915.9	15697.2

TOKYO TRADING ACTIVITY Volume : 437,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sakura Bnk	11,825,000	415	−37
Yamaichi Sec	10,794,000	157	−16
Sanyo Sec	8,704,000	5	
Nippon Stl Cp	8,530,000	247	−2
Bk-Tk Mitsbsi	7,442,000	1510	−30
Hitachi	6,046,000	898	
NKK Corp	6,067,000	150	−4
Ind Bk Japan	6,044,000	1010	−70
Sumo Bnk	5,843,000	1130	−20
Mitsbsi Hvy	5,818,000	550	−20

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Hayashikane	131	+15	+12.9
Kosaki Cp	216	+21	+10.8
Fuji Car Mfg	191	+16	+9.1
Downs			
NCR Japan	476	−100	−17.4
Kyoei Tank	135	−24	−15.1
Toli Corp	284	−41	−13.4
Chugai Ro	263	−36	−12
Co-op Chem	110	−15	−12

FRANCE

	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	closed	2699.71	2781.82	3094.61	2256.97	3094.61	994.61

PARIS TRADING ACTIVITY Volume : 879,304,860

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Fr Telecom	23,731,280	212.4	−6.3
Pernod Ric	1,634,938	270.5	+8
Usinor	1,473,560	90.6	−3.9
Axa-UAP	1,246,127	398	−7.5
Elf Aquit	1,121,032	697	−24
Rhn-Polnc A	1,065,704	242.7	−10.7
B.N.P.	887,280	251	−11
A.G.F.	882,870	298	−4.5
Eaux (C Gen)	817,812	713	−13
Total B	717,016	620	−9

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
EGD Empain	110	+10	+10
SIPH	350	+29.8	+9.3
Mumm et Cie	1249	+99	+8.6
De Lamothe	420	+33	+8.5
Downs			
Delville	59	−8.95	−13.2
Ville Anjou	49.5	−8.5	−12.3
Sols	265.4	−28.8	−9.7
Bq Monaco	522	−48	−8.4

GERMANY

	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	3752.63	3699.89	3823.91	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY Volume : 5,674,642

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Bayer	923,491	59.4	+1.15
BASF	681,139	57.45	+1.25
Lufthansa	654,903	30.7	+0.2
Commerzbk	579,866	60.5	+0.5
Bayer Vereinsbk	383,145	100.2	+0.3
Daimler-Benz	378,900	110.5	−0.8
Siemens	337,808	104.85	+0.45
Deut. Bank	325,145	110.8	+2.05
Sueddzckr	259,000	118.5	
Deut. Tkm	253,027	32.8	+0.3

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Sun Berzelius	23	+1.5	+8.2
Rinol	59.9	+3.4	+6
Marseille Klnk	23	+1	+4.5
Rheinmetall	34.5	+1.3	+3.9
Downs			
Pfaff (GM)	61	−7	−10.3
Villeroy MV Pf	270	−17	−5.9
Hertz	107.8	−6.2	−5.4
Weisig (M)	59	−3	−4.8

UK

	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4806.8	4764.3	4863.6	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY Volume : 607,900,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BT	40,105,010	485	+11
Eurotunnel	13,257,840	214	
Grand Met	9,595,704	544½	+6
BTR	8,532,048	201¼	+1¼
Rugby Grp	8,186,124	126	−3½
NFC	8,177,327	132¾	−3
Shell T&T	7,846,178	412	+8
Sears	7,830,875	56½	−½
Unilever	7,829,778	460½	+11
ASDA	7,320,158	158	+1½

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Intrum Just	91	+17½	+23.8
Ransomes	57½	+9½	+19.8
Primesight	164½	+23½	+16.7
Bett Bros	147	+18	+13.9
Downs			
ISA Int	95½	−43½	−31.1
Meteor Tec	13	−5	−27.8
Radius	33½	−8½	−20.2
N Petroleum	28	−5	−15.1

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	929.70	937.60	+6.30	939.90	926.00	121,509	387,483
Mar	947.30	947.40	+6.40	948.70	947.00	2,311	15,084

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	15660.0	15730.0	−80.0	15950.0	15540.0	34,522	174,325
Mar	15710.0	15760.0	−130.0	15760.0	15710.0	105	12,845

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2704.5	2696.0	−94.0	2718.0	2704.0	1,325	48,262
Dec	2736.0	2703.0	−94.0	2742.0	2687.0	146	19,618

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	3745.0	3745.0	+8.0	3789.0	3735.5	13,141	78,739
Mar	3840.0	3770.0	−3.0	3840.0	3770.0	203	5,545

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	2325.00	2328.00	+25.00	2342.00	2314.00	4,982	28,895
Dec	2326.25	2336.00	+37.00	2350.25	2326.25	329	1,922

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	5470.0	5475.0	+35.0	5495.0	5461.0	3,506	25,505
Dec	5500.0	5481.8	+54.1	5500.0	5483.1	588	463

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Nov 10	Nov 7	Nov 6	1997 High	1997 Low	Yield	P/E
Argentina	General	20253.05	20245.82	21235.36	25551.28 21/10	18237.37 2/1	3.67	16.9
Australia	All Ordinaries	2521.6	2513.4	2571.0	2779.20 25/9	2289.20 28/10	3.62	18
	All Mining	833.1	830.9	837.9	987.30 24/2	584.89 28/10		
Austria	Credit Aktien	436.72	436.09	445.25	474.42 2/10	374.46 9/1	2.02	15.1
	Traded Index	1273.80	1272.13	1308.86	1488.49 31/7	1130.22 9/1		
Hungary	Bux	7108.79	7095.26	7402.38	8483.89 6/8	4281.30 6/1	na	na
India	BSE Sens.	3721.05	3747.32	3763.96	4548.92 5/8	3225.24 2/1		
	Crisil 500	684.42	688.65	692.81	843.26 5/8	622.71 2/1	na	na
Indonesia	Jakarta Comp.	462.69	468.12	478.91	740.83 8/7	447.89 28/10	2.5	13.2
Poland	WIG	(c)	15630.5	15972.3	18339.40 18/2	14421.69 6/1	1.55	10.7
Portugal	BVL 30	3392.60	3416.43	3472.38	3886.61 3/10	2165.57 2/1	1.75	24.5
	PSI 20	7900.45	7953.76	8087.86	8803.52 3/10	6162.34 2/1		
Russia	RTS	402.10	438.34	438.34	571.66 6/10	213.38 6/1	na	na

Argentina: Shares driven by Brazil's austerity package which was seen as potentially curbing regional growth rates.

Australia: Resource leaders BHP and WMC bounced back from Friday's sell-off after Asian markets appeared more stable.

Hungary: Analysts reported the market remained nervous because of the high proportion of foreign investors.

India: Reports of sales by foreign funds helped to damp sentiment.

Indonesia: Stocks lower despite comments from finance minister reaffirming the government's commitment to economic reform.

Portugal: Apathetic market shrugged off Wall Street gains to finish lower. Volumes were low.

Russia: Shares lost ground with locals reportedly concerned about the continuing lack of interest from foreign investors.

NASDAQ NATIONAL MARKET

AMEX PRICES

EASDAQ

* FINANCIAL TIMES

Tuesday November 11 1997

Disappointing Japan fails to join recovery

WORLD OVERVIEW

Stock markets recovered from their bout of nervousness on Friday to deliver a solid, if unspectacular, performance, writes Philip Coggan.

There was some further weakness in Asia but the falls were fairly modest by recent standards. Perhaps the biggest disappointment was that there was no recovery in Japan, where the Nikkei 225 average dipped below the 16,000 level on Friday.

The effect of the falling stock market on the balance sheets of Japanese banks is one factor for the markets to worry about. Another is the adverse effect on Japanese growth of the problems in the rest of Asia.

Goldman Sachs has downgraded its expectations for Japanese gross domestic product growth in the wake of the Asian crisis. The US investment bank forecasts GDP growth of 0.8 per cent this year and just 0.6 per cent in 1998, down from 1.8 per cent previously.

"These slump-like conditions will obviously mean that there is no chance for any monetary tightening through the next year or two, and we now expect Japanese government bond yields to remain under 2 per cent for most of 1998," Goldman concluded.

European stock markets edged higher with the help of a rise in the dollar after the US currency touched a five-month low against the D-mark on Friday.

But traders are unlikely to be confident about a European recovery until they see the outcome of the Federal Reserve open market committee meeting on Wednesday. Last Friday's stronger-than-expected non-farm payroll report revived fears that the Fed might be tempted to raise rates to head off inflationary pressure.

Another factor likely to keep business subdued is that today sees some European markets closed for Armistice Day while it is Veterans Day in the US.

Investors may also have been shell-shocked by the recent market turbulence. The volatility of the FT/S&P European index, as measured by the 10-day standard deviation of price changes, has reached its highest level since 1992, according to ABN Amro Hoare Govett.

Nevertheless, the latest survey of fund managers conducted by Merrill Lynch found that investors were generally using the latest falls in stock markets to buy shares. US fund managers turned buyers of Wall Street for the first time in three months and were also net buyers of every region except Latin America.

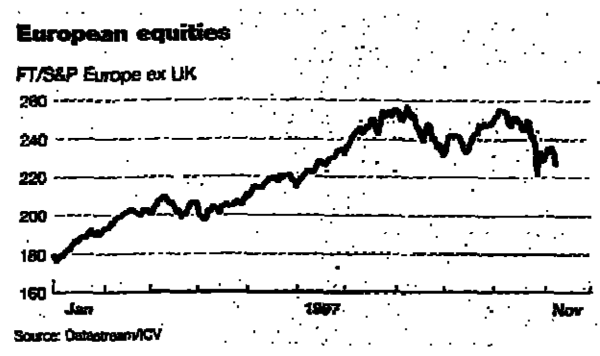
European fund managers were strong buyers of the US, UK and Europe but were net sellers of Japan.

In contrast, Japanese fund managers are net buyers of their own market but are extremely pessimistic about the Pacific basin region.

London market, Page 34

European equities

FT/S&P Europe ex UK



Source: Datastream/ICV

EMERGING MARKET FOCUS

Hedge funds suffer reverse

Hedge fund investors in emerging markets endured a bleak October as sliding stock markets eroded gains made earlier in the year.

Emerging market funds outperformed the rest of the hedge fund sector during the first nine months of 1997, posting gains of 36.5 per cent, according to Managed Account Reports, a New York research company.

However, they were heavily exposed when problems in Asian markets spread to Latin America and eastern Europe with unexpected savagery. While Asian markets had been under pressure for some time, few expected the Brazilian market, for instance, to lose 23 per cent of its value last month.

Final figures have yet to be compiled, but on the basis of those funds that have reported October returns, Managed Account Reports estimates that declines on the month averaged 5.9 per cent of net asset value. This compares with a 3 per cent fall on the month for the S&P 500 index, a generally-accepted performance benchmark.

Analysts said emerging market funds were likely to have underperformed the broader hedge fund sector in October's turmoil because they are unusual in generally taking only long positions in the markets in which they invest.

What distinguishes hedge funds is their ability to go short of markets – that is, to sell shares they do not own with the intention of making money when the price falls.

In many emerging markets, however, there are legal impediments to shorting, or else the market is simply too underdeveloped for such a strategy to be possible.

The value of being able to take short positions was demonstrated in last month's market strife. Tiger, a New York-based global fund that is one of the world's largest in terms of its investable asset base, is reported to have achieved returns of around 48 per cent on its Asian portfolio over the last four months, largely as a result of substantial short positions in Hong Kong and Japan.

According to Michael Goldman, managing director of Momentum UK, a medium-sized hedge fund, funds with an Asian focus might turn out to have done better than those specialising in Latin America or eastern Europe because of their greater ability to take short positions.

Clearly, emerging market hedge funds had some defences in place because their average returns reported to date exceeded the MSCI emerging market index, which fell by 13 per cent.

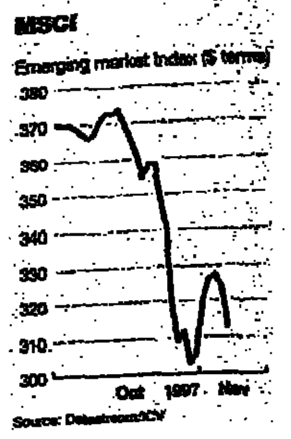
One of the major concerns for emerging market funds is that current instability might lead to a setback similar to the Mexican peso crisis in 1994, which damaged investors' confidence in hedge funds.

However, analysts remain convinced that the market has matured sufficiently for it to absorb shocks such as the 41 per cent decline in the Thai market so far this year or Malaysia's 44 per cent fall.

Jonathan Ford

MSCI

Emerging market index ($ terms)



Source: Datastream/ICV

Bid moves help push US shares higher

AMERICAS

Wall Street opened the week on the upside with sentiment bolstered by fresh developments at two major corporate takeovers, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average was 11.05 higher at 7,592.37. The broader Standard & Poor's 500 index had risen by less than a point at 928.25. The Nasdaq composite, which is weighted in technology issues, gained 3.11 at 1,605.51. The Russell 2,000 index of smaller company shares added 2.17 at 437.39.

Shares in MCI surged more than 12 per cent or $4 11/16 to $41 9/16 as the long-distance group confirmed that its board had approved the takeover bid by Worldcom. Worldcom's stock was down $1¾ or more than 5 per cent to $31⅞. American Depository Receipt shares of British Telecom gained $2 3/16 to $79 3/16.

Meanwhile, the battle for control of ITT between Hilton and Starwood Lodging sent all three groups' shares lower. Hilton fell $1/16 to $31 9/16 after the company announced it would not raise its bid for ITT. ITT's shares lost $2 7/16 to $77⅞ and Starwood $2¼ at $55 9/16.

Apple computer jumped more than 4 per cent to $20 13/16 in anticipation of the computer company's announcement of new product and strategic plans.

McDonalds, a Dow component, rose $¾ to $45 9/16 after the company's chief executive said he expects the fast-food chain to reap double-digit profit. Transport stocks were easier with major airline shares falling back. The Dow Jones Transport index fell 27.18 to 3,157.05.

Delta Airlines came off $2 13/16 to $101⅞ after the company announced a disappointingly slight rise in traffic for October. UAL, parent to United Airlines, was down as well, off $1 11/16 to $87 11/16.

CKS Group, the California-based marketing group, plunged more than 60 per cent or $22 to $14¼ after the company said that its fourth-quarter earnings would be far below analyst expectations.

TORONTO reversed two days of losses with a morning of steady gains which left the 300 composite index up 30.96 at 6,882.70 at noon.

The heavyweight banking sector was in demand with Royal Bank of Canada adding 50 cents at C$76.10 and Bank of Montreal 35 cents at C$65.65. Canadian Imperial Bank improved 20 cents to C$44.65.

Golds shares improved. Barrick added 30 cents at C$27.55.

Northern Telecom put on 50 cents to C$130 among industrials while Newbridge Networks gained a similar amount to C$64.60.

Seagram rose 25 cents to C$47.25 but Molson Breweries gave up initial gains to end the morning all-square at C$24.25 following a modest upturn in second-quarter earnings.

Bombardier came off 45 cents to C$27.60 after the company announced that it was in talks to acquire an east German rail equipment business.

Frankfurt holds modest gains

EUROPE

Wall Street's early bounce provided modest support for leading bourses after a hesitant morning when the US-Iraq tensions, Asia's financial turbulence and the prospects for higher interest rates had weighed on the markets.

FRANKFURT held on to modest gains at the close of late electronic trading although the equilibrium was dented as Wall Street came off early highs and the dollar proved unable to hold on to its best level.

The Ibis-indicated Dax index closed 12.99 higher at 3,728.37 but down from the floor close of 3,752.53.

Henkel was up DM1.35 at DM92.90 after results at the top end of expectations. Other chemicals stocks found support ahead of other nine-month results due tomorrow from Bayer, up 26 pfg at DM58.51, and on Thursday from BASF, 95 pfg higher at DM57. But Schering, also reporting on Thursday, lost DM5.25 at DM168.75.

Preussag held on to a DM8 advance at DM462 after denying plans to sell its steel unit to British Steel.

Among the motor stocks, Daimler-Benz slipped DM2.30 to 109.70 after Juergen Schrempp, the chairman, was reported as saying that production and delivery of the Mercedes 'A' class car would be halted if the introduction of safety measures did not guarantee absolute security.

BMW fell DM30 to DM1,202 and VW dropped DM10 to DM987 as the company said that its plan to offer 6m new shares was unlikely to take place before the end of the year.

ZURICH finished a reticent session higher with the SMI index up 21.1 at 5,459.7.

Banks took the spotlight as restructuring rumours continued to do the rounds.

UBS, higher for much of the day, finished flat at SFr1,688. SBC gained SFr4.50 to SFr385 and CS Group fell 25 centimes to to SFr200.75.

The turmoil in Asia again weighed on ABB, which lost SFr25 to SF1,719.

Drug issues managed small gains. Novartis rose SFr5 to SFr2,142 and Roche certificates added SFr45 to SFr12,320 as the company announced that its Aids drug, Fortovase, had been approved by the US Food and Drug Administration.

AMSTERDAM traded quietly with broker upgrades for Unilever and a renewed outbreak of worries at KLM providing the session with its main features. The AEX index ended 7.87 ahead at 857.04.

Foods and detergents giant Unilever rose Fl 2.60 to Fl 109.40 for a two-day gain of 2.8 per cent following broker upgrades on the back of Friday's better-than-expected third-quarter results.

Lehman Brothers lifted 1998 earnings forecasts by 5.7 per cent and shifted from "underperform" to "neutral".

KLM ran foul of negative weekend press comment ahead of the planned reduction of flights out of Amsterdam's Schipol airport and slipped Fl 2.30 or 3.2 per cent to Fl 69.90. The performance looked at odds with the fundamental view of the shares. Most brokers pushed up earnings estimates after last week's results. HSBC James Capel, a "strong buy" of the stock, went up by almost 10 per cent for next year.

ATHENS' general index plunged 3.3 per cent to below 1,500 in a broadly based decline, led by banks which felt the brunt of prevailing high money market rates.

Some analysts warned that there could be further weakness to come, which could take the index below the 1,450 support level to as low as 1,300 points.

Investors were said to be bracing themselves for a prolonged period of high interest rates.

The general index lost 49.39 to 1,463.38, firming on last-minute buying from a low of 1,454.88 points. Banks led the market's decline with a 5.2 per cent drop.

BRUSSELS edged higher in trade dominated by speculation regarding the future of Bank Bruxelles Lambert. The Bel-20 index closed 13.67 higher at 2,280.80 but in thin volume of BFr1.7bn ahead of a public holiday today.

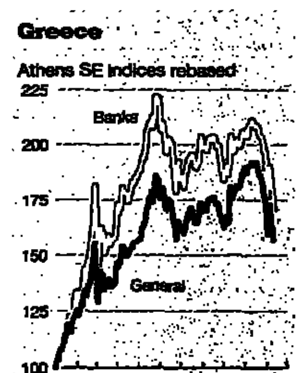
BBL ended BFr250 or 2.9 per cent higher at BFr9,000 on the back of continued speculation that the Dutch banking and insurance group, ING, would announce a public exchange offer of its own shares for those of BBL this week. ING declined to comment on the speculation.

MOSCOW came back from its three-day weekend and ran into an increase for local interest rates. Shares fell steeply and the RTS index came off 36.24 or 8.3 per cent to 402.10 to extend its decline since the peaks of early October to 30 per cent. There was said to be heavy selling by both foreign and local investors. In neighbouring Estonia, TALLINN fell on currency worries. The general index, which hit a record high of 492.97 in August, tumbled 54.51 or 19.4 per cent to 226.36.

Paris was closed for a public holiday.

Greece

Athens SE indices rebased



Source: Datastream/ICV

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Peter Hall.

SOUTH AFRICA

The bargain hunters were out in force towards the close of trading in Johannesburg, sending shares smoothly higher to regain roughly a third of Friday's heavy losses.

The all-share index ended 80.4 higher at 6,605.2 following a gain of 123.7 to 8,135.6 for industrials. South African Breweries rose R5.40 to R125 ahead of tomorrow's interim results. The golds index slipped 10.8 to 850.7.

São Paulo bounces back

Sharp early gains were trimmed in SAO PAULO, although shares were still 2.2 per cent higher in cautious early afternoon trade on the back of a package of fiscal measures designed to restore confidence in the currency. The Bovespa index, which tumbled 6.4 per cent on Friday, traded up 194 at 9,026, off a high of 9,266.

Early in the day, the government released a list of 50 fiscal measures aimed at bringing savings of R$20bn. Analysts said that although the plan was considered generally positive, the bolsa began to lose ground after news that Telebras, the market's benchmark stock, would see its investment budget for 1998 cut by about R$900m. Telebras preferred stood 1.9 per cent higher at R$109.

Among other blue chips, federal power utility Eletrobras preferred was up 3.1 per cent at R$500, while Petrobras preferred, which surged following the announcement of a 5 per cent rise in fuel prices, was up 1.8 per cent at R$224.

FTSE Actuaries Share Indices — European series

November 10

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	898.20	+0.50	+4.48	2.49	0.24	902.83
FTSE Eurotop 100	2090.74	+0.66	+13.70	–	–	–
FTSE Eurotop 300 Regions						
300 UK	903.95	+0.57	+5.10	3.47	0.66	913.24
300 Ex-UK	895.53	+0.45	+4.13	1.93	0.00	897.54
300 Eurobloc	880.25	+0.35	+3.11	2.17	0.00	883.19
300 Ex-Eurobloc	911.79	+0.60	+5.46	2.72	0.42	917.66
FTSE Eurotop 300 Economic Groups						
Resources	902.57	+0.54	+4.82	3.01	1.46	915.13
General Industries	879.63	+0.07	+0.63	2.22	0.00	881.08
Consumer Goods	879.27	+0.49	+4.28	2.05	0.00	882.74
Services	924.98	+0.31	+2.87	2.36	0.72	930.18
Utilities	920.35	+1.08	+9.81	3.54	0.00	925.61
Financials	902.72	+0.70	+6.24	2.48	0.00	907.12

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved. Market closed: France.

Seoul rallies on reform plan

ASIA PACIFIC

Shares in SEOUL rallied as hopes for financial stability sparked bargain hunting. The composite index surged 29.62 or 6 per cent to 525.32, in volume of 62.4m shares.

The won continued to waver in foreign exchanges but news that the finance ministry planned a package of measures to speed corporate restructuring and ease the squeeze on credit turned sentiment round.

Over the two previous sessions, the composite index had fallen almost 11 per cent with the won hitting fresh lows against the dollar and money market rates rising.

Ssangyong Motor jumped Won350 to Won4,820 on well-established rumours that Germany's Daimler Benz was to lift its stake in the company from 2.4 per cent.

TOKYO sank to another low for the year as rumours of more bad news in the financial sector depressed the market, *writes Bethan Hutton.* Traders were also responding to Monday morning's decline in the Hang Seng, and US markets' weakness on Friday.

The Nikkei 225 closed 139.16 lower at 15,697.20 – a fall of 0.88 per cent – after moving between 15,912.49 and 15,564.54. The Topix index of all first-section shares, which includes more banks, dropped 1.6 per cent to 1,210.58, down 19.49. The capital-weighted Nikkei 300 index also lost 1.6 per cent, ending down 3.94 at 235.92.

Volume eased to about 487m shares, from 508m on Friday. Losers outnumbered gainers 743 to 396, with 122 unchanged, and 200 shares set new lows for the year. In London, the ISE/Nikkei 50 index rose 2.66 to 1,376.62.

The Nikkei is still hovering about 1,000 points above the lows it reached after the slow crash of the early 1990s, but analysts say there may not be much support between current levels and the five-year low. Selling was again concentrated in financial stocks: the banking sector fell 3.2 per cent, securities 3.4 per cent, and insurance 3.8 per cent.

Sakura Bank fell 8.2 per cent on reports that it had been asked to extend financial support to a troubled insurer, Taiyo Fire and Marine Insurance. Sakura denied the reports, but it was the day's most heavily traded share, closing Y37 lower at Y415.

Yamaichi Securities was the day's second most heavily traded stock, falling Y16 to Y157, after reports that the company had called an emergency internal meeting on Monday to discuss its financial situation.

Real estate shares fell even more heavily – the sector was down 8.5 per cent overall – after poor interim results from several leading companies last week, and concerns about government liberalisation measures. In Osaka, the OSE fell 273.64 to 16,609.33 in volume of 13.6m shares.

WELLINGTON fell steeply following a wave of profit-taking at NZ Telecom which ended 55 cents lower at NZ$8.40 and accounted for more than a quarter of the day's NZ$66.3m turnover. The 40 capital index fell 66.38 or 2.7 per cent to 2,419.12.

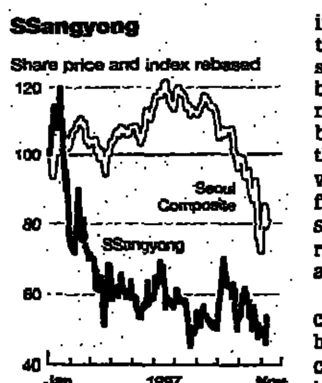
KUALA LUMPUR was depressed by the regional malaise and a sharp fall in Tenaga Nasional after the power utility reported a foreign exchange translation loss of M$1.3bn, and a net loss of M$140m for the year to August 31. The composite index lost 17.93, or 2.5 per cent, to 689.52 as Tenaga lost 50 cents to M$7.65.

MANILA closed lower as investors continued to switch into higher yielding bonds. The weighted index came off 41.64 or 2.20 per cent to 1,851.97. The property sector fell 2.5 per cent to 790.80. PLDT shed 35 pesos to 815 pesos.

HONG KONG saw hefty losses for the fifth consecutive session as interbank rates rose and Asia's financial worries kept markets jittery. The Hang Seng index slid 111.66 to 9,992.84.

SSangyong

Share price and index rebased



Source: Datastream/ICV